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# ***JPRS Report***

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## UNITED STATES

### Constraints on Changing U.S. Security Strategy

93CM0013A Beijing MEIGUO YANJIU [AMERICAN STUDIES] in Chinese No 3, 5 Sep 91 pp 41-55

[Article by Song Jiuguang (1345 0036 0342): "Where Is the United States' Security Strategy Heading?" The author is affiliated with CASS's Institute of North American Studies]

[Text] In 1991 the international strategic situation began to undergo the most severe, most profound change since the end of World War II. The disintegration of the Warsaw Pact, the demise of the former Soviet Union, and the forging of "modern relations" between the United States and Russia marked the end of the cold war during which the post-war international situation had been dominated by the standoff between the United States and the Soviet Union for more than 40 years.

While the people of the world celebrate the lifting of the shadow of a major war which has shrouded them for several decades and look forward to the new era with hope, they also find, to their regret, that a fair and proper "new world order" has not simply replaced the bad "old world order" as it should. Nor has the end of the cold war automatically brought peace and stability. The world after the dramatic changes is a far cry from a world of "peace and prosperity"; it is still highly unstable, and turmoil and wars are still everywhere.

Faced with this complicated situation that is "disorderly" and full of uncertainties and problems, increasingly those who are involved in international strategies and diplomacy are turning their attention to an important and real issue, that is, as the world's only remaining superpower, how would the United States handle its national security problem under the new situation? Where is the United States' security strategy heading?

#### I. A Brief Review of the Evolutionary Development of the United States' National Security Strategy

The United States' national security strategy concept was founded on its early post-war effort to curb communism and engage in a cold war with the Soviet Union while preparing for a hot war. For several decades, as its internal and external environments change, the United States' national security strategy has gone through a historical process of continuous development and evolution. The following are some of the major revisions in the 40-odd years prior to the dramatic changes in the Soviet Union and Eastern Europe:

##### 1. The concept of national security has gradually broadened.

In the 1950's and 1960's, at the height of the cold war era, countering the Soviet Union's military threat and expansion and assurance of the United States' and its

allies' survival and safety was the United States' overwhelming national security goal. National security was almost synonymous with military security. In the 1970's, because of the relative economic decline, it had lost its former independence, and the United States began to expand its concept of national security, adding economic security to its content. By the 1980's, problems that went beyond national boundaries, such as nuclear proliferation, uncontrolled weapons sales, international terrorism and so on, became serious concerns, posing a new challenge to the United States' security, and so the meaning of national security was further broadened. Not only that, but some issues which traditionally had nothing to do with national security, such as deterioration of the environment, greenhouse effect, population explosion, and drug trafficking, were also put on the national security agenda.

##### 2. The tools of solving national security problems have diversified.

Once upon a time, military force was the United States' basic means of solving its national security problems. Since the 1970's, as their national security concept broadened, the tools have greatly diversified. Instead of depending heavily on military strength, they are paying more attention to the comprehensive use of political, diplomatic, economic, and military measures.

##### 3. Their military strategy has become more versatile.

The United States' post-war military strategy has undergone a series of transformations, marked especially by the change from "rigidity" to "flexibility." Specifically, in terms of military measures, instead of resorting to "massive retaliation," they have turned to "flexible responses." In terms of nuclear strategic thinking, instead of just preparing for a major nuclear war, they are prepared for all sorts of nuclear confrontation at all levels, and instead of only developing a nuclear attack capability, they are emphasizing offensive and defensive capabilities at the same time. In terms of military buildup, instead of relying only on arms expansion to ensure safety, they are seizing arms buildup and arms control with "two hands." In terms of deterrence, instead of relying only on "nuclear deterrence," they are emphasizing both nuclear and conventional deterrence. When envisioning the future war, instead of emphasizing an all-out war, they are emphasizing regional warfare and low-intensity warfare.

Despite the above-mentioned changes, because the bipolar U.S.-Soviet confrontation in the cold war was a relatively stable setup, and because of the U.S. policy-makers' deep-rooted hatred for communism, in the nearly half a century after the war, the United States has almost always looked at and handled its foreign relations through the eyes of the "cold war" and has developed its national security concepts on that basis. Thus, "changing 10,000 times without departing from the original stand"—they have remained the same despite all apparent changes, and dealing with Soviet threat has

remained at the heart of their security strategy. This is the basic element that gives U.S. strategy a unique sense of historical continuity.

## II. The Bush Administration's Rethinking of the National Security Strategy and Recent Adjustments

The dramatic change in the international situation has the following effects: Militarily, the danger of the Soviet Union launching an all-out blitzkrieg in Western Europe has all but disappeared. The likelihood of a nuclear war is more remote now than ever before. At the same time, the collapse of the Soviet Union and the dramatic changes in Eastern Europe have produced a "sequelae syndrome": Regional conflicts and disturbances in nations looked upon by the United States as being in regions of great interest have complicated the international security situation, making things even more unstable and more uncertain. The further proliferation of weapons of mass annihilation also makes the situation more dangerous and poses a realistic threat to U.S. security and interests. Politically, U.S.-European solidarity born out of the need to counter the Soviet Union's threat has greatly eroded. There is growing dissension among the allies. Economically, the economic and trade conflict and competition between the United States and Europe and between the United States and Japan have intensified, and the United States' international economic status is seriously being challenged. All these have rendered the "cold war" outlook that once dominated U.S. strategies inappropriate. How to develop a new national security concept for the post-cold-war era and find a new national security focus has become a major issue for those in diplomatic and strategic fields inside and outside of the U.S. government. For this reason, since 1989, there has been a sustained, very intense round of great debate on the United States' future security strategy. The broadness of scope in this debate and the depth of the issues being discussed are unprecedented. Meanwhile, the Bush administration has also conducted a thorough examination of the traditional Soviet-centered national security strategy and has made a series of policy adjustments. Today, this round of great debate and policy adjustment is still on-going, and the vacuum in U.S. foreign policy and strategy left by the dramatic change in the international security situation lingers. There is still no complete consensus in that country as to the direction of its security strategy. Yet in this round of great debate and policy adjustments, some important changes and notable tendencies in U.S. national security strategy have clearly emerged, and although these changes and tendencies are not sufficient to give us a blueprint on the future U.S. security strategy, they are good indicators of its near-term direction and developmental trend. Specifically:

### 1. Adjusting the priority of national security goals:

A major change in U.S. security strategy is seen first in the Bush administration's revision of the priority of national security goals. In the cold war era, protecting the United States from the threat of foreign military

forces, especially the Soviet Union's, was the foremost and overwhelming goal of U.S. national security strategy. All other goals and the promulgation of all security policies to some extent were related to this goal.

At the end of the cold war, the nature of foreign threats has changed, and adding the relative decline in the United States' economic strength, national survival and security have become a less important and urgent matter. Although national security is still the primary U.S. strategic goal, it has lost its overwhelming status. In contrast, the importance of the United States' two other long-term national security goals—promoting a strong and competitive U.S. economy and promoting "freedom" and "democracy" worldwide—has clearly increased. Emphasizing economic security and promoting "democracy" are very different from emphasizing military security. They are not dependent mainly on military strength but on economic competitiveness, diplomacy, propaganda and other nonmilitary means. These two goals are not regional, targeting the Soviet Union, but are global. Unlike the United States' traditional foreign policy, Europe is not the main focus of these two goals.<sup>1</sup>

The change in the United States' policy toward China is proof of their revision of the priority of security strategy goals. From the early 1980's until 1989, starting out from their top strategic priority which was to counter the Soviet Union, the United States had made "maintaining and furthering the friendly cooperative relationship with the PRC" an important element in the realization of their national security goal. On the issue of regional security, they had looked at the development of friendly cooperative relations with us as one of the four pillars of their Asian Pacific strategy. The revised U.S. security strategy has changed this stand, and they are emphasizing "human rights" as the important foundation of Sino-US relations, demoting their relations with China to the level of maintaining "discussion and contact." They have also made promoting "change" (which in fact is "peaceful evolution") in China their China-policy goal.<sup>2</sup>

### 2. Adjusting their foreign policy focus:

In the cold war era, the basic goal of U.S. foreign policy was to "ensure peace and freedom in the nuclear era, which meant solving the two extraordinary problems that directly affected the United States' national security—threat of nuclear war and Soviet expansion." As the United States saw it, the logic of such foreign policy goals was self-evident, because since the founding of the nation, there had never been an adversary like the Soviet Union that "had the real strength and also the motive to threaten the United States' existence." The policy of "containment" drawn up under the guidance of this policy goal became the nucleus of U.S. foreign policy in the cold war era.

Since World War II, U.S. foreign policy ideologies have been dominated by "internationalism" or "globalism."

This policy ideology is based on several considerations: (i) The United States must abandon "isolationism" forever and must replace it with active participation and a sense of responsibility in international affairs. (ii) The United States' interests are worldwide, and therefore it must take on global responsibilities and obligations. (iii) The United States is the defender of freedom and morality in the international arena. (iv) The future of the whole world is determined by the United States' will and by the action they take overseas anywhere and anytime for the sake of a better world. (v) The United States must bear responsibilities as the world leader.<sup>3</sup> All post-war administrations, from Truman to Reagan and even Bush, have without exception upheld this globalist foreign policy.

For a time, the United States was at a loss as to how to react to the rapid disintegration of Soviet threat. Their post-war foreign policy which had centered around the confrontation with the Soviet Union was facing a serious challenge. First of all, the cornerstone of U.S. foreign policy—US-European and U.S.-Japanese alliances—was under attack, and the foundation of the alliances was beginning to give way. Countering the Soviet Union's military threat was the motive force behind Western Europe and Japan's alliance with the United States, and the United States' military presence and "nuclear umbrella" was the "bonding agent" of ally politics. To the United States, forging alliances with Western Europe and Japan not only assured their own security but also afforded them tremendous political and economic benefits. But this "motive force" is no longer there, and Western Europe's and Japan's desire to pull away, long suppressed by the need to counter the Soviet Union, is becoming increasingly strong.

Moreover, their foreign policy measures and goals have become disjointed. The United States has not ignored other issues as it focuses attention on the Soviet Union, and their current foreign policy and military measures also take into consideration other old and new threats to their national security, but throughout the administrations of their nine presidents and 22 congresses in the post-war era, the decisions on the size of their armed forces, on research and development of their weapons system, on their diplomatic undertakings, and on their foreign aid expenditures in fact have always been based on their anti-communist cold war mentality and containment of the Soviet Union's ability to launch a hot war or the determination to win the hot war against the Soviet Union. Today, the nature of their security risks has changed dramatically; it is no longer military but economic. Even in the military realm, the threat is very different from before. The cruel reality is that although the United States has military might, there is little they can do in the face of economic challenges. They have all the weapons to fight a "big war" but little means to safeguard "small peace."

Finally, they are hampered by domestic political and economic problems. Politically, the unity between the two parties born out of their stand against the Soviet

Union, like the U.S.-European alliance, is at the brink of collapse, and the fight over what issues should be labeled national security priority has already begun. Economically, fiscal and monetary deficits, debts, lack of international competitiveness and other problems which have long plagued the U.S. economy are still unsolved, and they are facing many other increasingly pressing social problems, such as the decline in education standards, widespread drug abuse, and the spread of AIDS, and most of all, the inability to put an end to the economic recession which has already lasted more than a year and half. Under the circumstances, "neoisolationism" that advocates "withdrawal" to concentrate efforts on dealing with domestic problems is gaining ground again and is challenging the traditional "globalist" foreign policy.

The Bush administration's choice is still to uphold "globalism," but in view of the changing foreign and domestic situations, they have made several foreign policy adjustments. The basic characteristics of the recent adjustments are to avoid as much as possible any abrupt change in international order, to maintain the United States' sphere of influence, and to protect the United States' national interests. Specifically: One, they are gradually changing their foreign policy consideration which used to center around the Soviet Union, and instead, they are making the consolidation of relationships with their allies and friendly nations their priority. To the United States, their security in the new era is increasingly determined by economic security and worldwide promotion of Western democracy and values. A strong alliance is a necessary precondition to achieving these two policy goals.

Two, they are emphasizing international cooperation and giving more play to the United Nations and other international organizations. There are several reasons for their doing so. First, because the complicated, diverse, and highly unpredictable elements in the real international security environment has produced interlocking international interests, the line between friends and foes is blurred. Many of the actions taken by the United States in the international arena are not only dependent on the support of their traditional allies and friendly nations but also require the cooperation of some nations that do not have diplomatic or military relations with and even nations that do not share their political views or value system. Second, the United States' comprehensive national strength is diminishing, and they can no longer meet the political, economic, or even military challenges alone while a new international order is being developed. They can give play to their leadership role only through the United Nations and other international organizations. Finally, many problems that can jeopardize the United States' security are global problems which they cannot solve alone or even with the help of their allies; they need global coordination and cooperation.

Three, they are stressing the importance of global and regional arms control and curbing the proliferation of

weapons of mass annihilation, and in their opinion, this is an urgent part of their post-war foreign policy. Accordingly, they have adopted a general principle of "walking on two legs": First, by political draw and economic enticement and other means, they are leading the former Soviet Union toward even further arms reduction to completely eliminate the remaining potential nuclear threat to the United States' survival. Second, by strengthening the existing arrangement, they are expanding membership in the nonproliferation system and have proposed new nonproliferation initiatives or similar measures to deal with the global spread of weapons of mass annihilation.<sup>4</sup>

Four, in designing the United States' future foreign policy, although there are many different ideas, there is a basic agreement on one point, that is, the United States still has its own interests as well as responsibilities in world affairs, and where possible they want to promote democratic values, but there are domestic problems they must address. To quote Nixon and Brzezinski, the United States' top priority in global affairs is to "differentiate critical interest, important interest, and marginal interest" and implement a set of foreign policies that sets priority and maintains balance among the continued effort to bear their global responsibilities, desire to reduce regional security responsibilities, and the need to vitalize the country internally.

### 3. Adjusting their military strategy:

In the nearly half a century since the end of the war, the determination of U.S. global military strategy, regional strategy, and the scope of military strength, the deployment of military forces, weapons development, and even detailed battle tactics have focused on one thing, and that is how to make their military deterrence more effective in preventing the Soviet Union from launching an all-out war, and if that should fail, how to win the war.

The abrupt curtailment of the Soviet military threat has clearly tipped the balance of military strength toward the West. Yet, although the intensity of threats to the United States' security has weakened, they have not completely vanished. Some threats have disappeared on the surface, but they have in fact become potential threats, and the sources of danger are now more dispersed, more diverse, and more complicated. This makes the United States' military tools incompatible with the real threats. For this reason, after several years of adjustments in strategy, the Bush administration has further supplemented and revised the U.S. strategy and proposed a "new defense strategy." Specifically:

(i) The United States will maintain their network of allies around the world. This is considered one of the most important principles of U.S. defense strategy. The core of the United States' ally policy is to counter the threat posed by hostile nations or hostile alliances of nations through strategic cooperation with its own allies and at the same time to exercise necessary control over

its allies through the constraints of the ally treaties and prevent them from defecting as Soviet threat wanes.

(ii) In order to make the U.S. global alliance system more substantive, the United States will maintain its forward deployment force. This is the key element in the ally strategy. The United States' regional military presence will be further reduced, but the cutback cannot be too fast or too drastic. Their presence will take on more flexible and diverse forms.

(iii) They will keep up their crisis-response capability and increase mobility to promote quick-response to support their forward defense.

(iv) They will continue to maintain a strong naval force that effectively controls the seas.

(v) They will reduce troop size by a reasonable amount while maintaining their ability to mobilize manpower and material resources and troop reorganization ability in case of an all-out war.

(vi) They will maintain a strong nuclear strategic offensive force and at the same time develop strategic defense technologies and deploy those technologies as soon as they are ready.<sup>5</sup>

Compared to before, the most important change in Bush's "new defense strategy" is to "shift the focus of U.S. defense plan from countering the Soviet Union's global challenge to responding to regional threats." In his opinion, "the danger of the cold war marked by a massive invasion of Western Europe by the Warsaw Pact and the subsequent escalation to global war no longer exists. The challenges of the post-cold-war era will come mainly from major regional threats as demonstrated by Iraq's invasion of Kuwait."<sup>6</sup>

Despite the new label Bush put on these strategic initiatives, overall, this "new strategy" has not broken through the confines of the "old strategy." The Bush administration is still cautious about revising the military strategy, and except for the identity of their imaginary enemy and the scale of arms reduction, there has been little substantive change in the basic cold war strategic concepts, such as nuclear deterrence, ally strategy, Pacific-Atlantic strategy, forward deployment, and their strategic focus on Europe and so on. The basic framework is the same and continues to wield influence.

### III. Factors Influencing and Constraining the Bush Administration's Policy Adjustments

In response to the changes in domestic and foreign situations, the Bush administration will make further adjustments of the national security strategy. Outdated concepts will slowly be abandoned and new strategic initiatives will be offered. But the birth of a new strategy and the demise of the old strategy always entail a long, historical evolutionary process and cannot be realized in a short period of time. This is not only because the old strategy itself has certain "historical inertia," but also, more importantly, it takes far longer for the economic,

technological, and military conditions which give birth to and facilitate the implementation of the new strategy and the domestic and international environment and other strategic "hardware" to develop than for people to come up with the strategic "software"—the strategic ideologies. The United States' strategy which took more than 40 years to develop is like a large ship in the ocean; it will not be easy to turn it around. It is for this reason that U.S. strategy cannot be revised overnight. It will take several years or even longer to complete the task. Today, the main factors constraining the adjustments of U.S. strategy are:

1. The relatively permanent U.S. interests and security goals will prevent any major change in U.S. security strategy for some time to come.

From the perspective of drawing up new strategies, national interests are the bases for formulating the correct strategies and for decision-making. The United States' national interests are determined by the set of political and economic policies and by their values which they deem the basis of the founding of their nation. For this reason, the United States' basic national interests are fairly permanent within a given historical period. The changing environment can only change the priority of those interests.

National security goals are established based on national interests. They play a role in turning the abstract national interests into concrete objectives and steer the national effort in the right direction. Unlike national interests, the determination of national security goals must consider what constitute threats to national security. If the external threats change, the national security goals must also change. This is particularly true for the short- to medium-term security goals. But some long-term national security goals that reflect basic national interests, such as the United States and its allies' security, promotion of a strong and competitive U.S. economy, and the preservation and promotion of "democracy," "freedom," and "human rights" worldwide, are unlikely to change. If we look back at the evolution of post-war U.S. strategies, we will discover that when it comes to the national interests and national security goals, the latter is marked by an "amazing historical continuity." Today, this fact has not changed despite the dramatic change in situation. That is fundamentally why despite the dramatic changes in the international situation, Bush still stresses that the United States' basic interests and goals "will never change even in this new era."<sup>7</sup> The fact that the United States' national interests and national security goals are relatively stable is the intrinsic fundamental factor preventing a drastic change in U.S. national security strategy in the near-term.

2. The complicated and uncertain nature of external threats makes it difficult to "set the direction" of the new strategy.

In a certain sense, a basic characteristic of the security situation faced by the United States is that the external threats are marked by more uncertainty than certainty, more complication than simplicity. The Soviet Union's threat at one time was a serious and real threat, but it was also a certainty. Today, the United States' "visible" adversary has gone, but many "invisible" threats have appeared. This makes it difficult to ascertain the direction from which the security risks may come, and so of course it is difficult to decide on how to make strategic adjustments.

As far as U.S. security risks are concerned, the greatest uncertainty lies with the former Soviet Union. From the military standpoint, the former Soviet Union's chief successor—Russia—still maintains a huge military force. Its conventional military strength may be reduced in scope, and they can no longer launched a full-scale invasion of Europe, but they still have the strength to start an intense regional war. From the standpoint of strategic nuclear capability, they are maintaining strategic balance with the United States and remain the only nation in the world that can destroy the United States in a nuclear attack. Furthermore, Russia's strategic defense capability is still ahead of the United States, and even more crucial is that Russia is still making qualitative improvements and developing strategic nuclear weapons. In addition, because of the collapse of the Soviet Union, what used to be one country with nuclear capability has turned into several nuclear-capable nations. This no doubt increases the danger of nuclear weapon proliferation. There have been continuous territorial and racial disputes, confrontations, and even warfare among the independent republics, and political and economic crises have created refugee problems and so on. These problems cannot be resolved in the short-run, and in the long-run, they will become complications that will continue to plague the West and the United States.

Another uncertain aspect stems from the relationship between the United States and its allies. The United States' relationship with its allies has always been one of cooperation and conflict. The cooperation was based on the need to counter the Soviet Union's military threat; the conflicts come mainly from the economic conflict of interests. To Western Europe and Japan, entering into alliance with the United States was necessary for security reason, and to the United States, the alliances were not just out of consideration to counter the Soviet Union but also out of their own egoistic motive to use the Soviet threat to control the allies and reap political and economic benefits, too.

As East-West political and military confrontations come to an end and the world's multipolar development accelerates, increasingly the concern is over economic security. Competition among the major countries has turned to economics and technologies. In the West, the centripetal force that grew out of concern for mutual safety has diminished and the centrifugal force that comes from conflict of economic interests has gained momentum. Today, because the international situation is volatile and

the "new order" of international security is not fully developed, Western Europe and Japan's security are still dependent on the United States' military presence, and economically, although there are conflicts among the Western allies, there are also mutual benefits to be gained, and so despite the growing conflict between the United States and its allies, things has not developed to the point where they will consider "going separate ways" anytime soon. But in the long-run, as the world security situation gradually stabilizes, and with the development of economic blocs and a unified Europe, and in particular, as Germany rises again as a world power and Japan's status as economic superpower is further solidified, no doubt the resulting conflict of interests between the United States and its allies will heighten and become more difficult to reconcile. Will the "low intensity" economic and trade conflicts between them escalate to "regional warfare" of "moderate intensity" or even economic and trade "war" of "high intensity"? Nobody can come up with a definite answer at this time.

A third element of uncertainty comes from the regional conflicts and security problems. Regional conflicts are not new, but these are not like those in the cold war period. Back then, even though the regional problems had their internal root causes, most were related to the United States and the Soviet Union's contention, confrontation, and strive for supremacy around the world, and basically those regional conflicts were predictable and characteristically the battle lines were clearly drawn.

The end of the cold war has turned the attention to the many internal conflicts such as racial conflicts, territorial disputes, religious conflicts, and regional hegemonism which for a long time had been overshadowed by the contention for hegemony between the two superpowers. The diverse and complicated sources of these conflicts mean there are no rules to these regional problems and the battlelines are blurred. For this reason, there are many uncertain elements never encountered in the cold war era. In addition, the further proliferation of means of mass annihilation also makes this problem more dangerous. Iraq's invasion of Kuwait was unforeseen by the United States, and the subsequent high-intensity regional war proved our point.

3. Incompatibility between the tools and the goals will continue to constrain the adjustment of U.S. strategy for some time to come.

Since the end of World War II, the weak link between the strategic goals which are based on "globalism" and the available tools have long been an important factor constraining the effective implementation of U.S. strategies. Every administration has since made every effort to find a strategic way to resolve the conflict between "means" and "goals." The Bush government's attempt to modify the existing strategy and draw up a new blueprint for the new world order is the historic continuation of this effort.

Yet what Bush is facing is a reality more harsh than that faced by his predecessors. Politically, the long-standing unity between the two parties born out of the stand against the Soviet Union is history; the days when the allies meekly submitted to and accepted the United States as their leader are long gone. Economically, the United States has lost its superiority as the sole superpower, and internationally, its sphere of influence is shrinking. Even more critical is the fact that the relative economic decline of the United States appears to be an inevitable, irreversible trend. Militarily, the United States is still the "world champion." In the face of external military threats and in smoothing relations with its allies, there are still great flexibility and room for maneuvering. But the problem is, in the new era, that the biggest threat to the United States is economic and not military. They may still have military strength, but when it comes to solving the most urgent problems such as revitalizing their economy and enhancing their competitiveness in trade, they become a hero with no place to display their prowess—there is no scope to exercise their ability.

The fact of the matter is, the United States has never possessed the resources that allowed them to do what they want to develop their "tools." This was so even at the height of their power in the early days after World War II. It has always been so. Things have but "gotten worse."

#### IV. Conclusion

We can draw the following conclusions based on the above discussions:

1. The dramatic changes in the international situation in recent years have changed the traditional strategic environment, and as a result the United States' national security strategy which is built on the cold war policy of "containment" is facing a serious challenge. It is inevitable that they must make some major strategy adjustments.
2. Currently the Bush administration's important policy adjustments are first, to make preliminary changes in the order of national interests, and instead of emphasizing security interests, they are focusing on economic interests and their interests in the international environment. Accordingly, promoting the U.S. economy and their value system of "freedom" and "democracy" and their political system worldwide will become the focal point of U.S. national security goals. Second, the adjusted U.S. foreign policy will no longer center around the Soviet Union when drawing up new policies and instead will give priority to the readjustment, consolidation, and strengthening of the relationship with their Western allies and friendly nations. Finally, in terms of military strategy adjustments, they will no longer consider the Soviet Union their prime imaginary enemy or plan their military strength for an all-out war; instead they will shift the focal point of their military strategy to regional threats.

3. Currently the international situation is at a complicated and unpredictable historical turning point. The international security situation is full of unstable and uncertain factors. It will be very difficult to set the "compass" direction for the new security strategy. In addition, there are many factors constraining U.S. policy adjustments. These factors cannot change the greater trend that makes adjustments inevitable, but they can have a substantial effect on the speed and the magnitude of those adjustments, and that is why the U.S. strategy will not change overnight.

4. Compared to their strategy before the mid-1980's, the current U.S. security strategy has already gone through some dramatic changes. But not all of the Bush administration's adjustments are new breakthroughs. Some have been in the works for years but have not been put into effect because of domestic and international conditions. Some are only further developments based on adjustments made a few years earlier. Some are new strategic initiatives developed to deal with the drastic changes in the international situation. Among the new policies, some are fairly forward-looking and have been brought up only after careful thinking and serious considerations, but more than a few are "impromptu" ideas aiming for quick success and instant benefits. Overall, there is still no objective foundation to support a brand new strategy. The current U.S. strategy adjustments are mostly changes in policy focus. They have not fundamentally changed the old strategic framework; the continuity of U.S. strategy has not been broken. It is still too early to say that there has been a fundamental change in U.S. security strategy.

#### Footnotes

- (1) George Bush: National Security Strategy, The White House, August 1991, p 3.
- (2) *Ibid.*, p 4.
- (3) Charles W. Kegley, Jr., Eugene R. Wittkopf: *American Foreign Policy* (New York, St. Martin's Press,) p 36.
- (4) Bush, p 6.
- (5) Dick Cheyney: U.S. New Defense Strategy, National Defense, February 1991, p 12.
- (6) Dick Cheyney: Annual Report to the Congress, FY 1992, p 20.
- (7) Bush, National Security Strategy, p 4.

#### Criticism of U.S. 'Human Rights Diplomacy'

93CM0064A Beijing ZHENLI DE ZHUIQIU  
[PURSUIT OF TRUTH] in Chinese  
No 27, 11 Sep 92 pp 19-22

[Article by Zhang Hongyi (1728 1347 3015): "Human Rights, Value Concepts, Interests—An Analysis of U.S. Human Rights and Human Rights Diplomacy"]

[Text] The human rights diplomacy of the United States can be traced back at least to World War I and the times of President Wilson. Making human rights the center of foreign policy, making it the "soul of foreign policy," was something that happened during the Carter's presidency, however. He also emphasized that that kind of human rights must reflect the American ethic value standards. Thereafter, U.S. authorities considered "human rights" a panacea for the promotion of U.S. foreign relations and used it indiscriminately all over the world. In 1991, the U.S. annual report on national security and strategy firmly asserted that it is the intention of the United States to establish "a new world order" according to American value standards. In February of 1992, Secretary of State James Baker said, "the collapse of the Soviet Union provides a once-in-a-century opportunity to promote throughout the world American interests and American concepts of value."

Finally, the three concerns, human rights, value concepts, and American interests, have achieved an unprecedented trinity in the utterances of U.S. officialdom. They furthermore try to sell this "three-in-one" product with an urgency which reminds of the saying "after passing this place, no more shop to buy it." This will, of course, motivate anyone concerned for the fate of one's country, for the fate of the world, and then also concerned about the guarantees for one's own human rights, to thoroughly and sincerely study the question: what do these American human rights, value concepts, and interests entail and what do they mean?

#### I.

What are the American value concepts? To answer, we must trace back in American history, because value concepts constitute the ideology which, in the final analysis, is the product of socio-historical development.

The source of American value concepts is commercial capital, an outgrowth and development of a colonial soil. Because feudal elements had been weakly represented, and there was the mercantilism inherited from England, the American nation in its formative years had a much stronger commercial spirit than any other nation. Commerce was considered the most important means of making a living, and making a profit and earning money was the highest measure to which one had perfected one's values and moral ideals. This commercial spirit was further fortified by the Puritanism prevailing in those days. Puritanism, by its ideas and methods, proves that hard work ensures the grace of God, and that the energetic pursuit of commerce brings sublimation. It was therefore easy for it to merge with the economic concepts of the bourgeoisie. Out of their commercial spirit there evolved a disdain for feudal traditions, a disposition for innovation and adventure, a desire to expand, and the spirit of individual independence and equality. Moreover, as those men at that time faced the unknown North American continent, they built up in their fight for survival and progress a spirit of unremitting self-strengthening, arduous struggle, and facing the realities

of the situation. All this gradually became crucial in determining the special characteristics and value concepts of the American nation, as it was also the powerful impetus for the high-speed development of the North American economy, a fact that up to this day is an example emulated by other countries and nations. In these United States, founded and developed by a purely capitalist society in the spirit of commercialism, the dominating value concept is individualism, however. President Hoover, who was in office during the great crisis of 1929, once said, "for three centuries, individualism is the basic driving force in American culture." In a certain sense, this is also the ideological driving force of a new nation, unafraid of arduous work and great dangers in its struggle to survive. But as early as in colonial days, yet another aspect of the driving force of individualism became revealed, namely expansionist tendencies, racism, and, driven by "high ambition and selfish desire," the conduct of repaying kindness with enmity in the case of the Indians, with the start of their cruel dispossession and massacres.

Even more noteworthy is the fact that in the course of time, with the accelerated socialization of production and life, and with the faster integration taking place in the international economy, individualism is more and more showing its dark sides. Particularly today, when the international status of the United States is rapidly tending toward a relative decline and is internally suffering from a serious case of "American malaise," many intelligent Americans are reappraising the American concepts of value.

Some Americans have pointed out: "Could the sources of America's misfortune perhaps be traced back to the decline of some of its concepts of value?" "Individualism... is possibly the dark force threatening America's prospects." "Extreme individualism is permeating American society to a dangerous degree." Many Americans feel: "Capitalism has gone too far." "Insatiable greed is an extremely serious phenomenon." There are even others who point out: "America is really decaying bit by bit... decaying, because American morals have degenerated to an extent that shocks and frightens every decent person, and that makes America an impossible place to live in." Yang Zhenning [2799 2182 1337], an American scholar of Chinese ancestry, said in 1990: "Today's United States is a crisis-ridden country, none should follow its example. The fundamental cause for all of America's present problems is its extreme individualism."

While so many intelligent Americans criticize and reject this kind of individualistic value concept, a small group in the American government insists on forcing it on the world. People will of course ask, what is their purpose in doing so?!

## II.

Diplomacy is the extension of domestic politics. An international human rights policy of a country is actually

the extension and continuation of that country's internal human rights policy. By merely examining the human rights situation within the United States, with the value concepts of official America, will enable us to gain a fair evaluation of the value concept and human rights concept that official America is advocating.

Early North American protagonists of the human rights theory, like Paine and Jefferson, had stressed that the pursuit of happiness is a "Heaven-endowed right." The American "Declaration of Independence" (1776), which is called "the first declaration of human rights," says: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness. That to secure these rights, governments are instituted among men...." The "Declaration" set off the struggle of the American people against England, affirmed their resolve to fight for independence, and it has also had a far-reaching impact on the whole world.

When the American bourgeoisie of those early years were showing themselves off as "fighting for the human rights of all the people," however, they already revealed the class-character and hypocrisy of their "human rights." The term "all men are equal" in the "Declaration" did not include the Indians, the African slaves, and also not women. The "Declaration" also ignored the inequality in property ownership that existed in those days. The Constitution of 1787 substituted "life, liberty, and property" for the "life, liberty, and pursuit of happiness" mentioned in the "Declaration." This clearly indicates that protection was to be given to property rights. Even the markedly progressive "Bill of Rights" adopted in 1791 is no exception in this respect. In this manner, the "Heaven-endowed human rights"—so called by the Americans—were being denied right from the start by the constitution, not to mention how the Americans later largely deviated from the actual text of the constitution. In concrete terms, there are the following four areas in which the American value concepts caused contradictions to become apparent between the human rights theory and actual practices:

1) Verbal assertion of "all men are equal," and a wide gap between rich and poor in actual practice.

An American scholar once pointed out: "According to the individualistic viewpoint, people who are at the bottom of society must forever remain at the bottom, because they lack the impetus of capability, spirit, and competitiveness. From the viewpoint of the 'survival of the fittest,' the destitute are themselves responsible for their state of destitution. Whoever loses out in the competition has only himself to blame." Even up to this day, "there has been no fundamental change in the deep-rooted American belief in individualism and their time-honored work ethic of the 'survival of the fittest.'" See "The Social Problems of the United States" (Chinese translation), by Jon Shepard and Harwin Voss, two

Americans, pp 39 and 48. Finally, from the promulgation of the U.S. Constitution and the organization of the first government on up to the present day, all controlling power in the United States has been in the hands of a small group of affluent citizens. The American individualistic value concept was the best protection for capitalist "rationality," and, as a consequence, provided confirmation in America for the human rights concepts as they protected the privileges of the few.

2) Verbal assertion of "all men are equal" and racial and sexual discrimination in actual practice.

The individualistic value concept, which in North America is coated over with a layer of religious coloring, has provided the basis for racism. The Indians were declared children of Satan and had to be exterminated. The Africans were "enlightened" to the fact that they have to accept hardship for the glory of God, or otherwise suffer eternal damnation in hell. All other races were also without exception inferior to whites. According to the principle of the "survival of the fittest," the Anglo-Saxons, as "God's chosen people" are given the right to rule over all colored races. As to women, in the American value concept, dominated by the commercial spirit, women are merely "accessories to man." In line with all this, the American Constitution of 1787 is silent on the enslavement of the Africans; Indians and Africans were not considered citizens, and even up to today the "Equal Rights Amendment," the result of over 100 years of struggle of the American women for equality, has not yet been passed. The essence of the American human rights concept and value concepts cannot be demonstrated clearer than by these facts.

3) Verbal assertion of the right to "freedom" and oppression of workers and political dissidents in actual practice.

The legal provision that "private property is sacred and must not be encroached upon" restricts human "freedom" to within the narrow scope of whatever the rulers will permit. During the almost 150 years from independence to 1931, the U.S. Congress has refused to pass a law that would acknowledge labor unions. Up to now (1991), the American authorities are still proclaiming that there is "no room for compromise" in questions of dismissal and strike of workers. In the persecution of political dissidents even stranger things have happened. Especially in the 1960's, during the aggression against Vietnam, anyone who opposed the war was branded a "communist." Around 1975, "80 million American citizens were being investigated by the Federal Bureau of Investigation," that means, that "almost one-third of all American citizens were potentially dangerous to society" in the eyes of the American authorities. (*Ibid.* p 110)

4) Under the slogan of pursuing "freedom" and "happiness," the people were misled into the quagmire of a serious "American malaise."

At the same time as all who endangered the principle of the "sanctity of private property, never to be encroached

upon" were persecuted, all those things that had emerged from the capitalist system of private ownership and had proven beneficial according to the plutocratic ideology and for the decadent bourgeois lifestyle, were overtly or covertly tolerated or encouraged. No wonder that the United States could become the world's largest market for drugs, that among all the world's advanced countries, the United States had the largest number of drug addicts, the highest ratio of pregnancies, abortions, and birthrate of teen-age girls, the highest rate of homosexuals and AIDS patients, and a drastically increasing rate of juvenile delinquency. Certainly, this does not indicate superiority of the American value concepts, nor is it a glorious record in matters of human rights, but it is rather a revelation of the true face of American human rights.

### III.

Then why is it that they are trying to force this very questionable value concept, human rights concept, and human rights practice onto the whole world as something that should be the foundation of a "new world order"? The answer is provided by the American authorities themselves: "to pursue American interests." But, we have to supplement this by saying, not the interests of the common people of the United States, but the interests of the ruling monopolist capitalists.

This, too, can be traced back to a deep socio-historical source. The commercial ideology in the American value concepts, the mystic and puritanical theory of predestination has, already early in American history, provided ideological foundation for the country's foreign policy. It has been extended to become, right from the start, the main political line in U.S. foreign policy, and the propagation of Christian culture, as well as the subjugation of backward nations and backward cultures, had become the major mission of diplomacy. The theory of the "Heaven-ordained destiny" has then also emerged at the appropriate moment. At the conclusion of World War II, when the United States had climbed to the summit in the capitalist world, it created conditions conducive to its expansion over the whole world. At that time, President Carter once declared: "The victory that we have won places the heavy burden of world leadership continuously on the shoulders of the American people." The American authorities believed "they could use their strength to order the whole world to go the way of American-style democratic capitalism." It is precisely against this background that the United States, in 1947, tossed out to the world its declaration of expanding American power, namely the Truman Doctrine. The expansion over all areas of the world was enacted under the pretext of protecting "the system of freedom" and of opposing "totalitarian regimes." This comprised support for the Chiang Kaishek regime in its unleashing of civil war, support for the war of aggression against Korea, and support for the war of aggression against Vietnam.

Naked military and political expansionist methods were becoming less and less effective, however. Especially in

the Vietnam war, this bottomless pit, the United States wasted much manpower, and much of its material and financial resources, and thereby greatly accelerated the decline of its hegemonic position. The unanimous condemnation by the whole world and the high tide of the domestic anti-war and pro-civil rights movements revealed even more distinctly the moral deficiency of U.S. diplomacy. Precisely at this time of an extremely unfavorable state of affairs for the United States, President Carter came to power in 1977 and decided to start on a new path by declaring himself for a human rights diplomacy, in order recover the daily degenerating situation. It was exactly as Brzezinski, assistant for national security affairs in the Carter administration, said: "The human rights movement can allow the United States to break out from its post-Vietnam defensive position and to adopt an aggressive stance, conducive to the promotion of the global interests of the United States."

This is how the American authorities expressed it, and this is how they acted. Since the 1970's, the United States has on several fronts by means of its value concept and human rights concept promoted its own "interests" throughout the entire world.

They have launched a "human rights" attack against the Soviet Union and Eastern Europe. In Nixon's words, by intensifying to the utmost all contacts with the people of these countries, "they sowed the seeds of discontent, which one day would bloom forth as the flower of peaceful transformation." Even though the Soviet Union at that time made continuous concessions on the question of treatment of political dissidents and on carrying out the promises of the Conference on Security and Cooperation in Europe, in order to gain concessions from the United States in the arms control negotiations and to get American aid, the United States would still show no deference to their wishes. Why? Michael Mandelbaum, a member of the Council on Foreign Relations and expert on East-West relations, revealed the true circumstances. He said: "Even with somewhat more freedom, a country like the Soviet Union, will never be able to escape criticism by the United States. Undoubtedly, to have the Russians and the other peoples of the Soviet Union establish completely capitalist societies, and capitalist economic and political systems ought to be the long-term struggle objective of the United States. The ultimate goal of the United States ought to be to realize this in every country of the world" (see, FOREIGN AFFAIRS, an American magazine, No 4, 1989 [sic! actually found in FOREIGN AFFAIRS NO 2 (SPRING 1989) p 32]).

So that is how it is! It means that there cannot be any human rights in a socialist system. Only after transformation to capitalism can there be talk of realizing human rights. Indeed, in the former Soviet Union they have achieved their goal.

The United States was at the same time trying to sell its value concepts among the many Third World countries. It forced some countries into a process of American-style

"democratization," causing political upheaval and economic chaos in these countries, while also increasing their reliance on Western aid and destroying the solidarity of Third World countries. As to the largest developing country, which is also the largest socialist country, namely China, some Americans see it as "the last eyesore" and will exert great efforts, using economic interchanges as a means to break up China" (see, "America's Goal is China's Disintegration—Removing the Last Eyesore," in SENTAKU, a Japanese periodical, November, 1991). A Philippine newspaper pointed out: "If the United States and other countries overemphasize their concern for the so-called 'human rights,' they do so with special intentions." "These countries have in the past employed gunboat policy to subjugate backward countries. After these oppressed countries had fully awakened, the gunboat policy lost its effectiveness, and the oppressors resorted to such means as 'human rights' and 'economic sanctions' to punish, bring to their knees, and isolate countries that would not obey their orders." (see, the Philippine WORLD JOURNAL of 7 November 1991). Since the human rights diplomacy is in essence very similar to the gunboat policy, being a strong-arm policy in the service of hegemonism, its demise will certainly not be less wondrous than that of the imperialist policy of those days of yore, however.

## NORTHEAST ASIA

### Prospects for North Asian Economic Zone

93CM0025A Beijing XIANDAI GUOJI GUANXI  
[CONTEMPORARY INTERNATIONAL RELATIONS]  
in Chinese No 36, 31 Aug 92 pp 23-26

[Article by Lu Zhongwei (7120 1813 0251): "Northeast Asia's Economic Cooperation and Its Prospects"]

[Text] The concept of Northeast Asian (the three provinces of Northeast China, the Korean peninsula, Far Eastern Russia, and the coastal region of Japan) economic cooperation began in the mid-1980's. A rather common viewpoint about the framing of the concept is that it is an equitable economic and trade division of labor system formed from the integration and mutual benefit of Japan and South Korea's funds, technology, management, and sales channels; China and [North] Korea's labor force and market; and Russia's resources and scientists and technicians. This is what people often call "the Northeast Asian economic group." In July 1990, the "International Symposium on Northeast Asian Cooperation for Economic Development" was held in Changchun, China. In March 1991, the United Nations Development Program included the development of the lower reaches of the Tumen River in the scope of its operations; and in October of that same year, the program called a consultative conference in Pyongyang and made up a planning management committee for the development of the lower reaches of the Tumen River with the participation of the six nations of Northeast

Asia and resolved that by July 1993 at the latest they will decide on a developmental plan. The implementation of the concept will play a rather big part in promoting the economic development of this region. But, in another respect, despite the restrictions caused by differences of the countries in such areas as economic systems, quality of the labor force, market exports, and key development sectors, and other conditions, the success of the regional economic cooperation will be a long-range, complicated, and arduous process.

I.

Now, because of the break up of the Soviet Union, the bringing down of the curtain on the East-West cold war, the decline and growth of U.S. and Japanese economic forces, the stepped up pace of China's reform and opening up, and the relaxed situation on the Korean peninsula, economic strategies, policies, and actions of the Northeast Asian nations concerned are drawing closer, which is favorable to economic cooperation in the region.

**(1) Adjustments in the countries' diplomatic and economic strategies will promote improvement in the region's strategic and economic status.** After the break up of the Soviet Union, the international political and economic situation underwent a tremendous change and Northeast Asia was more directly affected. Japan, Russia, China, [North] Korea, and [South] Korea made new strides in diplomatic and economic policies to strengthen the combined national forces and improve their own status. From an overall perspective, they all hope to realize the following goals: First, change the "cold war sea" to a "peaceful sea;" second, change "the economic rust belt" to "a magnetic field of development;" and third, seek out seaports and shorten the geographical distance of major Pacific trade lines.

From Japan's perspective, increasing business with the region east of the Ural Mountains and making Russia, Northeast China, the Korean peninsula, and Mongolia into a single entity is an important link in Japan's "major power diplomacy" for the 1990's. The policy speech given by Prime Minister Miyazawa early this year in the [South] Korean National Assembly included a proposal with a goal of building "a prosperous and open Northeast Asia," including China and Russia.

From Russia's perspective, under its new form, Russian foreign policy, in addition to stressing the strategy of linking up with the West, also especially emphasizes developing political and economic relations with Asian-Pacific nations. Japan is its principal target for obtaining loans and advanced technology. The "four little Asian [dragons]" and China are its second group of targets for developing relations, and the Northeast Asian region also is the first stop in its Pacific strategy.

From China's perspective, it already has raised economic development to be the central strategy of the basic national line and has decided that the reform and

opening up policy will remain unchanged for one hundred years. The vast size and population, the numerous nationalities, and the long borders that characterize China demand that in its economic development China give consideration to coastal, border, river basin, inland, overseas Chinese, and defense economic characteristics. So, Chinese economic reform in the 1990's and opening up will realize an "omnidirectional opening" situation. Recently, a line of thinking has been formed to open up along the border. A "south Shen(zhen) north Hei(longjiang)" policy and a policy for transforming operating mechanisms of state-run enterprises with the northeast as their center of observation have injected life into the economic and trade exchanges between Heilongjiang, Liaoning, and Jilin provinces and Japan, [North] Korea, [South] Korea, and Mongolia.

From the perspective of the Korean peninsula, since the northern part promulgated the Joint Venture Law in 1984, it has been actively seeking increased economic cooperation with the outside world. In more than eight years, although it could be said that they have not achieved great progress, it has created favorable conditions for them to join Northeast Asian economic cooperation. In another respect, the southern part's "northern diplomacy" has progressed somewhat and its economic and trade [relations] with Russia and China have multiplied, forming an important link in Northeast Asian economic cooperation.

**(2) The countries' regional development strategies will promote the formation of a "secondary regional economic group."** The economic geography of Northeast Asia is essentially "one big and three small." The "big" indicates the whole region and the "three small" indicates "the Sea of Japan economic group," "the Yellow Sea economic group," and "the Bohai economic group." Recent policy trends in the nations concerned have given life to the three small groups.

China's coastal strategy is being accelerated. The State Council has decided to further open up the four border cities of Heihe, Suifen He, Hunchun, and Manzhouli, has established a border economic cooperation zone, and has increased economic and technical exchanges and cooperation with neighboring countries.

The [North] Korean government to promote national development, beginning with more accelerated opening up also has decided to establish a 621 square kilometer free economic and trade zone at Naja and Shinpo and permitted cooperative, joint venture, and sole foreign investment production and sales organizations.

Russia drafted a foreign investment law in 1991 and recently has been discussing and advancing new measures and has established free economic zones one after the other in Nakhodka, Sakhalin Island, and Altai.

South Korea also has made a large financial investment in developing the western seashore. For example, they plan by 2001 to invest 21.3 trillion South Korean won to develop a seaside industrial belt from Inchon to Pohang.

**(3) The enthusiasm of the countries' economic circles for participating in regional development has increased and through market surveys and feasibility studies, they have begun to form long-term investment plans.** Japanese enterprises and local organizations have been rather active in this respect. Leaders from such prefectures and municipalities as Niigata, Toyama, Akita, and Hakodate have frequently gone back and forth to Russia, China, [North] Korea, and [South] Korea and several Japanese prefectures and municipalities have set up "common effort groups" for economic and trade associations with Russia. For example, last August Hokkaido sent industrial, agricultural, market, and technical specialists to inspect Russia's Far Eastern region. Such large Japanese enterprises and banks as Mitsubishi, Komatsu, and Toyota also conducted numerous on-site surveys. As regards investment in China, Japanese enterprises have decided to participate in the second developmental phase of the Dalian industrial region project. Five enterprises, mainly including Itocho Shoji, Mitsubishi Shoji, and Kogyo Bank plan to establish a "Dalian Industrial Region Investment Company" to do advanced preparations for future business on the Liaodong peninsula. In addition, South Korea's investment in Shandong, Jilin, and Shanghai in China, as well as in Russia also is rather brisk. For example, last January [South] Korea signed a three-year agreement with the (former) Soviet Union to provide US\$3 billion in loans. Presently [South] Korean enterprises' investment in Russia has expanded to such industries as lumber, aquatic production, ship repair, mining, and hotels.

## II

Certainly, to transform the concept into reality and to obtain the expected results also is rather difficult. Specifically, it will require overcoming the following problems.

**(1) Various regions in the group are very much in the "shadow" of their own country's economy. Main long-distance trade lines and industrial and trade centers, like "regions without sunshine," are very hard to enliven themselves.** As far as China is concerned, Heilongjiang, Liaoning, and Jilin provinces with the concentration of state-run heavy industry, serious losses, and low results form the special "northeast phenomenon" in Chinese economic development. Its market development and the level of its externally oriented development are lower than the coastal region. As far as Japan is concerned, the Pacific coast is Japan's "sunshine region." Here the high technology enterprises are concentrated, manufacturing industries are developed, and the main international trading lines with neighbors are located. It is called 'Omote Nihon' [the face of Japan]. But the 16 prefectures on the coast of the Sea of Japan, including Niigata, Kanagawa, and Hakodate, have sparse populations and a backward economy and are called "Ura Nihon" [the back of Japan]. As far as South Korea is concerned, when Pak Chung-hee was in power, they used the armed forces to construct a high speed highway on the diagonal line from Seoul to Pusan to promote economic development

of the southern mountain region (Cholla, Namto and Cholla, Pukto). But the western seacoast (Kyongsang, Namto and Pukto) is held back because transportation is inconvenient and industry lacks diversification. In the Russian Far East the "shadow zone phenomenon" also is rather obvious. In such areas as Vladivostok and Khabarovsk the social infrastructure is weak and the standard of living is low. One-third of the technical personnel living in that area have left in less than three years. In summary, it is understandable that the countries would be anxious to accelerate the movement of "shadow regions" into the sun by regional development and cooperation, but if it is only limited to a narrow scope of activity, I rather suspect that the staying power will be inadequate.

**(2) Regional economic relations lack an overall dynamic balance function and it is very difficult to produce a richly vital cooperative system.**

Since the war, comparatively developed regional cooperation has always had an overall dynamic balance function. The first rather prominent cooperation of this type is the European Community. Such countries as Germany, France, England, and Italy rely on an equal level of industry, technology, and trade to form a lateral division of labor system and accomplish expanded balanced trade. The second is the United States, Japanese, and Asian "Pacific trade triangle." Developing countries in Asia import machinery and equipment from Japan and set up processing in their own country and reexport it to the United States market and use the United States trade surpluses to offset the trade deficit with Japan. Refocusing on Northeast Asia, we still have not formed this type of favorable cyclic system. That is, the region as a whole does not have "comprehensive commodity exports" making sufficient use of free productive forces. Certainly, Japan could substitute for the United States as a "commodity absorber." But it is worth noting that the coast of the Sea of Japan is by no means the central market of Japan and it still is doubtful whether the total Japanese market in the 1990's can bear the heavy trade burden from the United States, "the four little [dragons]," ASEAN, and the South China coast. In sum, without a dynamic balance mechanism for productive factors, it is hard to form an overall favorable situation.

**(3) The bilateral political and economic relations of some countries still have not been smoothed out, affecting overall development of investment and economic cooperation.** In the political realm, Japan and Russia are tied up in a hard to break knot because of the territorial issue. Although Russia's "eastern policy" has the eastern orientation of promoting Japanese-Russian relations and attracting Japanese investment, at the same time, there is no way to break through the territorial "bottleneck." The situation on the Korean peninsula has progressed somewhat, but north and south bilateral relations, and [North] Korean and Japanese and [South] Korean and Chinese relations still do not have large-scale, direct trade. In the economic realm, the issues are even more complicated. Funds, technology, and seeking markets

are a little more urgent for Japan and South Korea. China is a little more enthused about surplus labor force and processing capabilities as well as abundant light industry products and each supplying what the other needs. But Russia and [North] Korea have the problems of inadequate accounting methods, reduced financial credit, and a still imperfect investment environment. The Japanese Hokkaido Development Bank that has studied the Russian economy somewhat believes that the US\$65 billion in external debt that Russia now bears is a rather great risk. In this situation, not only are commercial loans and direct investments hard to release, but they also are hesitant to advance state capital. In addition, forest and natural gas exploitation in the Russian Far East are rather large projects, and especially natural gas exploitation, has long-term expenditures and large consumption of resources and it is hard to see results in the short-term.

### III

As regards the overall concept of Northeast Asian economic cooperation in the 1990's, we should break out of the traditional mold of thinking. In other words, when designing and setting up the coordination of productive forces and market orientation, we should give overall consideration to total Asian-Pacific economic exchanges and we should not limit the concept to the "northeast." This is because in one respect accomplishment of rapid post-war Asian-Pacific economic development is closely linked to external relations. The role of the United States market is especially important. The significance of this is that Asian soil is by no means the only condition for Asian-Pacific economic growth. It is equally stimulated by the expansion of the European and United States markets. In another respect, as it approaches the 21st century, the Asian-Pacific economy will form "interlocking reacting mechanisms for composite change." The "borderless" selective point operational strategy of multinational companies and the tide of the high-technology revolution will move countries to depend on each other for existence. So, the thinking on the orientation of Northeast Asian economic cooperation should be further developed and adjusted from the following points of view:

**(1) From "local economic groups" stride toward "expanded area economic groups."** The key to the strategy of developing economic "shadow regions" is attracting the rays of "sunshine zones" so that external impetus can be internalized. If we overlook this positive thinking and simply concentrate on the past few isolated regional combinations of external markets and wait for the market to mature, we will be losing a historical opportunity. The fierce development of China's "South China economic group" in the last 10 years calls attention to the risks and the limitations of solely relying on developing the economy of a certain region. When China's Guangdong [Province] formulated its developmental plan it made market diversification a major theme, striving for a policy of "omnidirectional" use of foreign investment and conscientiously paying attention

to casting off a "leaning toward Hong Kong" and seeking to expand its economic exchanges with Japan, the United States, and Europe. Of course, local enterprises will have a certain amount of difficulty becoming international economic hubs, but they need only pay attention to studying the rules governing the operation of the international economy and abide by international practice and learn from others' experiences and there also is a definite path that they can follow. At the present stage, using multinational companies' "domestic enterprise trade" to break into the markets of the developed countries of Japan and the United States can be regarded as an effective form. In addition, making use of their own technical superiority, they can squeeze into multinational companies' spare parts external coordination enterprise series and with the lateral cooperation method of parent and child companies and subsidiary companies they can get into the nucleus of the international market. The ultimate goal of this strategy is to produce an impetus for economic development made up mainly of international competitiveness to maintain the stamina for regional economic development.

**(2) With "sea-oriented cooperation" devise methods to develop "air-oriented cooperation."** One of the orientations of Northeast Asian economic cooperation has been the theory of exclusively sea and the theory of not exclusively sea. This means that the Northeast Asian region must rely on the sea to defeat the sea and fully utilize the superiority of the maritime economy. The Sea of Japan, Yellow Sea, and Bohai groups are almost all "one day economic groups." For example, in the "Bohai economic group," it only takes a merchant ship 12 to 13 hours [to go] from Weihai, Shandong to South Korea's Inchon. This geographic advantage helps to lower shipping costs and enliven the circulation of productive factors. But in another respect, if we consider high technology developmental trends, we should be making advanced preparation for "air-oriented cooperation." In the recent history of industrial development, two major changes have taken place in the arrangement of industrial cooperation. That is the change from the "coal and steel complex" to the "sea-oriented complex" and the present trend to change toward an "air-oriented complex." Small and light electronic components rely mainly on air transport. Air transport is considered to be "an extension of the conveyor belt for sophisticated technology products." The technological superiority of such countries as Japan, Russia, and China does not stand in the way of the possibility of conceiving of the establishment of an electronic processing region in Tokyo, Osaka, Moscow, Khabarovsk, Harbin, Shenyang, Seoul, and Pusan, and forming a "few hours economic group" through the air corridors. The main goal of this strategy is to establish a cooperative structure made up mainly of technological vitality to preserve the pioneering nature of regional economic development.

**(3) The locality is the principal actor with active support from the central government.** In addition to local governments, the central governments of all the countries

also should give impetus to creating the "hard" and "soft" conditions for regional cooperation. The "soft condition" preparations are mainly such things as intensified reform, expanded financial and monetary preferences, and concluding agreements to safeguard investments. "Hard" development is mainly repairing and improving infrastructure. The Chinese Government has adopted measures in this regard. In one respect, local governments at every level are actively creating the conditions and developing a great many projects at their own expense. For example, in the 170,000 square kilometer region around the Bohai, they have successively constructed

nearly 20 developmental zones and upwards of 100 developmental projects. In another respect, the state also has invested in such things as the construction of a railroad from Hunchun to the Tumen River. With the limitations of state finances and policy, self-development and opening up certainly are important ways for localities to internationalize their economies, but to reduce regional economic differences, the central government, while maintaining the vitality of "sunshine regions," also needs to pay attention to the use of tax revenue and monetary levers to enrich "shadow region" economies so that they can join the ranks of the advanced at an early date.

### Article Views Need for Political Structural Reform

93CM0030A Shanghai SHEHUI [SOCIETY]  
in Chinese No 9, 20 Sep 92 pp 10-14

[Article by Yan Qin (3601 4440): "Some Thoughts About Reforming the Political Structure"]

[Text] A general survey of world politics today is likely to produce this conclusion: Political development is, on the one hand, the result of social and economic modernization, but, on the other hand, it is also increasingly the cause of social and economic modernization. Political stagnation or retrogression will to a certain degree always bring economic stagnation and retrogression. China's experience in more than 10 years of reform has fully illustrated this point.

In the past 10 years and more, China's economic structural reform has achieved tremendous successes and has given a great impetus to the political structural reform. The political structural reform has lagged behind the economic structural reform, however, and to a certain extent hindered the further deepening of economic and other reforms. The party and state are clear-headed and sufficiently aware of this situation. It is precisely on this clear-headedness and awareness that the party's 13th national congress made an overall plan for reforming the political structure, and a series of political measures were introduced and some practical moves were taken successively. Since the 13th party congress, China's political structural reform has made some progress but not much, however, falling far behind what was planned by the 13th party congress. Of the steps taken, some have pushed forward the reform and opening to the outside world, some have not yet produced solid results; and some have been withdrawn. A considerable number of reform measures have been interrupted by the political disturbance at the juncture between spring and summer in 1989.

In early 1992, after Deng Xiaoping's talk during his trip to the south was made public, a great tide of reform, more profound and extensive than ever before, appeared throughout the country. Compared with past reforms, this great tide of reform has one outstanding characteristic: The reforms in different fields are no longer partial reforms or reforms in certain links. Instead, it is now a combined and coordinated reform for all fields. Therefore, political structural reform is beginning to play an increasingly important role, and quickening the pace of political structural reform has become one of the major strategic steps to deepen the reform and open still wider to the outside world.

#### I. The Principle for Political Structural Reform to Follow

The reform of the political structure should be determined by pooling the wisdom of the whole party and the people of the whole country and through realistic and amicable discussions. In my opinion, the principle should be: We should proceed from the national conditions, the country's destiny, and the nation's future, take

the political systems of the developed countries and the basic trend of the political development of mankind as our reference, grasp the superstructure and the economic base as a whole, think of political ideology, political system, and organs of political power as a whole, and, under the guidance of a clear overall strategy, carry out the reform completely, systematically, firmly, and in an orderly manner.

To proceed from the national conditions means to thoroughly understand China's national conditions and accurately grasp the situation of its political, economic, and social development and its coordinate position in human society. What are China's national conditions? Seen from a political angle, there are at least four of them: 1. China has a long feudalistic and autocratic history and lacks political resources. The Chinese people lack a democratic tradition. The masses of the people lack democratic habits and training. The citizenry is quite seriously influenced by the idea of elitism and authority, tends to be dependent and passively submissive, and has a rather vague idea about constitutional government and power. They often affirm the value of democracy theoretically and in the abstract, but are at heart skeptical and reject democracy. They think that democracy will lead to instability and affect efficiency, and regard democracy as a luxury. Therefore, the citizens' political role is still as subjects and not as an independent people. Even the intelligentsia, the vanguard of China's democratic reform, can hardly be regarded as truly independent. Strictly speaking, a political system composed of this kind of citizens can hardly become a democratic political system anytime soon. At the same time, it has resulted in the unification and centralized pattern in the political sphere. 2. Historically China is a typical politicized country. Its greatest characteristic is: it substitutes politics for everything; everything is centered on politics; and politics has a strong infiltrating and intervening power. To protect its own rule, the ruling class may sacrifice economic development and social progress for the time being and may sacrifice the spirit of mass organizations and individual rights. That casts a shadow on democracy. In recent years, although our insistence on making economic construction the central task has had a considerable impact on the country's politicized character, no fundamental change has occurred. 3. China's superstructure is a multilevel composite body, which has some important characteristics of modern countries, but, in some other equally important aspects, still stubbornly maintains the characteristics it had before modern times—the evil legacy of feudalistic politics. Its ideology takes Marxism as the principle, but is a combination of many different ideologies, not only influenced by feudalism but also infiltrated by capitalism. 4. The Chinese society is a typical status society. This status society manifests itself through different social strata, with clear distinction between the noble and the humble and between the honorable and the lowly. There are different ranks of officials and different classes of people. In many ways different statuses also mean different rights and duties.

The highly have more rights but fewer duties. The lowly have fewer rights but more duties. In this status society, there is obvious status discrimination, and opportunities are unequal.

All the above has formed a certain degree of inertia and indolence and become a general resistance to reform. To be sure, the reform and opening to the outside world in the past few years have brought a great emancipation of the mind and collision of different ideas and forcefully pounded at the social structure that had long remained stable. All this has no doubt created many favorable conditions for the reform. It must not be ignored that reform and opening to the outside world have also stirred up the long-settled dregs of the evil legacy of feudalism, which have joined up with decadent capitalist factors in some spheres and links and brought new resistance to reform.

To proceed from the country's destiny and the nation's future means to arouse the whole nation's sense of mission and sense of responsibility so that all the people, whatever their occupations and classes, will put the interests of the country and nation above everything else and actively participate in the reform and push it forward. Government officials must not proceed from protecting their own vested interests and obstruct the reform, much less take advantage of temporary confusions in the course of the reform to enrich themselves. The masses should not think only of gaining something from the reform, but should consciously take responsibilities and risks and make sacrifices for the reform. They should give up their personal desires for the common good and subordinate their own aspirations to the common cause. Thus, the party, the government, and the people will work together with one heart, choose the direction and set the goals for the reform. Once the goals are set, we should push on courageously and, for the sake of a better future, not hesitate to sacrifice the present. Without this kind of resolution and vision, modernization will always be other people's glory.

To take the political systems of the developed countries as our reference means to boldly assimilate and draw lessons from all the achievements of civilization created by human societies and all forms of operation and management, including those of the capitalist developed countries, which embody the laws of modern socialized production. We should correctly analyze the political systems of the developed countries and make a concrete interpretation and judgment. While seeing where they are not suited to China's conditions, we should not reject them wholesale simply because they are not in agreement with the classics or not suited to China's conditions; while drawing nutrition from their 100 years of operation, we should not worship and indiscriminately imitate them; while insisting on having Chinese characteristics, we should also correctly analyze and understand the common laws of human societies.

To take the basic trend of the political development of mankind as our reference means to correctly judge the

trend of the political development of mankind to see the general trend of democracy and freedom and the general trend of mankind's own liberation. While not giving up Marx's communist theory as our guide, we should also assimilate the useful things from the West's political and sociological theories and thus device strategies to carry out reforms more clear-headedly and conscientiously.

In short, the reform is a revolution, a struggle between the new and the old, and a contest between progress and stagnation, even retrogression. We should stand up to trials and tribulations, draw nourishment from the solidified past, find the laws from the moving realities, grasp the direction in the plastic future, courageously bid farewell to the past, seize the present, and embrace the future.

## II. The Goal of Political Structural Reform

The political structural reform is aimed at winning a complete victory once and for all, and not just some minor advantages, in building a vigorous, efficient, and active system. A complete victory is the goal of the reform. This goal can be expressed in this way: to give vigor and vitality to the system, efficiency to the management, real democracy to the people, and equal starting points to competition and build a politically democratic, economically prosperous, culturally well-developed, and socially harmonious socialist modern China.

To give vigor and vitality to the system means to readjust the political structure, rationalize political relations, and modernize the party and government organizations. We should proceed from strengthening the "one center" and "three systems" and establish a new type of management system with appropriate policy-making and coordinating bodies, an independent and effective control system, and a sensitive and accurate feedback system. As the policy-making center, the communist party should improve its ways as the ruling party, concentrate its energy on mapping out general plans for running the country and pushing forward its modernization, determine the direction of the country's development, and try to make overall policy decisions in a democratic and scientific way. As the supreme organ of state power, the National People's Congress should pool the wisdom of the whole nation, faithfully represent the people's will, formulate and improve the legal system, and quickly turn the correct will of the ruling party into the will of the state. As the executive system, the government must assume overall responsibility for the administration of the whole country faithfully, unitedly, vigorously, and effectively. The feedback system should feed back information truthfully and in good time and provide high-quality consultative services for party and government departments. The control system should exercise effective supervision over the whole country's political, economic, and social lives to insure that party and state policies and laws and regulations are effectively carried out. Thus the party, the NPC, the government, the mass organizations, and other institutions will all have clearly

defined responsibilities and work together harmoniously within the limits set by law, without overstepping their authority and without interfering with each other. At the same time, our leaders at all levels will really become the moving force behind our work and not just issue orders.

To give efficiency to the management means to rearrange organizations and personnel according to the principle of simplification and usefulness. We should declare all-out war on the bloated and overstaffed organizations, the yamen style, and bureaucratism. First of all, we should redefine the functions of government organizations and properly divide the powers vertically and horizontally. On this basis, we should then streamline the intermediate levels, abolish the overlapping organizations, reduce personnel, and set up a highly efficient administrative system suitable for scientific policy-making and modern management.

Give the people real democracy. Ours is a socialist country, and our people naturally should have even greater democracy than the people of the capitalist countries and should have the right to decide on all important matters concerning their own future. We should strive to increase the openness of party and government operations, keep the people better informed, give them more opportunities to express their opinions, and enable them to effectively supervise all aspects of political, economic, and social activities, so that the people will really become the main players in social life and independent and active makers of history and will actively participate in the great practice of making political, economic, and social changes.

Give equal starting points to competition. The essence of socialist equality is equality in opportunities, which means equal rights and not equal results. Through the reform we should eliminate step by step all kinds of discrimination, such as party discrimination, job discrimination, age discrimination, sex discrimination, and so forth, and complete the change from a status society to a work society. We should to the extent possible bring everyone back to the same starting line and equalize everyone's social status, so that the advantaged will not be able to enjoy position and power for ever and ever and that in social development we can really let "the good prevail over the bad." We should help everyone to develop and perfect his personality, release as much of everyone's energy as possible, bring everyone's talent into full play, and really achieve the ideal of limited government control and unlimited personal opportunities. We should smash the "iron rice bowls, iron chairs, and iron wages" and should not use "superiority" to foster lazybones and mediocrities. Naturally this kind of equal competition is to be achieved gradually. Competition cannot be completely equal from the very beginning, but the very purpose of the reform is to eliminate the inequality gradually.

### III. The Focal Points of Political Structural Reform

By sorting out the threads and grasping the key issues of political structural reform according to the previously mentioned principle and goal, we can see the following six main issues.

1. The question on the way power is exercised by the ruling party. In the past decades, with its changing political and economic positions, the leading style of our party has also changed from time to time. Before the founding of the People's Republic, the party's main goal was to seize political power in the whole country, and the question then was whether the gun should command the party or the party should command the gun. In the end, the party commanded the gun and seized political power in the whole country. Since the founding of the People's Republic, the political system has been readjusted several times, but the prevailing fact remains that the party holds the leadership over everything and is higher than the state. At first, this ruling style was objectively necessary and logical, because it was the party which created the army and founded the government and the NPC. This ruling style has serious drawbacks, however. One is structural confusion. There is no distinction between party and government, between government and business, between government and other institutions, and between government and mass organizations. All organizations operate like administrative bodies, and the functions of state and other mass organizations have shrunk. In such a big country as China, one can hardly find an organization which is not subordinate or superior to some other organizations. At the same time, there is an abnormal control problem in the relationship between the party, government, and mass organizations. The other drawback is functional disorder. The mass political organizations cannot perform the function of protecting the interests of the masses they represent, and the organs of state power cannot play their role as organs of supreme state power. The party alone does it all, which is not conducive to playing its role as the speaker and interpreter of the fundamental interests of all the people, nor to its own building.

To overcome these drawbacks, it is necessary to change the party's ruling style. Under China's present system, the party is a reliable protection against anarchy, an important means to achieve stability and development, and an important guarantee for efficient administration. To prolong the political stability of China, it is extremely necessary for the party to coordinate between the legislative, judicial, and administrative branches. Therefore, we must uphold the party's leadership. At the same time, we must also proceed from the original meaning of a ruling party to reform the party's ruling style. We can think about it this way. First of all, the party is the spiritual leader of the country, the nation, and the people. Because a leader is created by his followers, the party should use its program, policy decision, and image to win the people's heart, trust, support, and following, strive for the people's general loyalty to the regime, and take up the responsibility to lead society. The party

should change from relying mainly on orders to get work done to relying mainly on persuasion and winning majority support to carry out what it intends to accomplish and thus increase the depth and intensity of the people's sense of loyalty to the country. Secondly, the party should really become a political organization which has the highest policy-making power and can control the political climate in society, grasp the direction of social development, and supervise society's economic operations. The party should change from concentrating mainly on handling a great deal of social, economic, cultural, and administrative affairs to putting the emphasis on studying major policies, giving political leadership, improving its ability to make policy decisions, and expanding its political influence. In state affairs, instead of directly ordering things done by party organizations, the party should go through lawful procedures to turn its own stand into the will of the state. By reforming the ruling style, the party should become a party which respects the government, and the government should become a government which respects democratic rights. In this way, not only will the party's ruling position be established, but a division of labor will also be achieved between the party, the people's representative bodies, and the state administrative organs, which is economically rational, politically democratic, and legally provided for.

2. The question of separation of power and checks and balances. China is a one-system socialist country and also a multinational state with a vast territory and a very large population, and proper centralization and unification are necessary. The problem is, over-centralization has turned China's political organizations into a vertical and centralized regulation and control system, in which orders are issued from above and carried out from below. It has very seriously hindered the normal development of the division of power and the checks-and-balances mechanism required by democracy.

History and reality have told us that there is no impassable chasm separating over-centralization of power from arbitrary rule by one individual. The more power is centralized, the less democratic rights become. Once power is concentrated in the hands of a few persons or one individual, it will lead to arbitrary rule and relative loss of democratic rights to the people. At the same time, without checks-and-balances and supervision, "absolute power means absolute corruption." Since our party came to power, it has stripped others of special privileges, but has failed to do a satisfactory job in preventing its own members from enjoying special privileges. As a result, in the 40 odd years it has been in power, all kinds of corruption have developed. Even though there is a supervisory system in the party, the supervision of the ruling party by itself has proven ineffective.

In view of historical experiences, it is realistically impossible at present for China to have opposition parties or different parties holding power in turn. So we may consider the following: Under the unified leadership of the CPC, the National People's Congress is the highest

legislative organ, the State Council the highest administrative organ, and the Supreme People's Court and Supreme People's Procuratorate the highest judicial organs, the three coordinating with each other while keeping each other in check. The legislative organs listen extensively to the voice of the people, respect the people's wishes, and make laws with the guidance of the party's line and principles. The State Council, as a social organization of public power, assumes overall responsibility for the entire nation's administrative affairs, changing gradually from the all-inclusive control of the past to macro management, from direct intervention to a combination of services, and from simple use of administrative means to reliance on laws and regulations. The judicial organs faithfully enforce laws and regulations, maintain social harmony and stability, and exercise effective supervision of the administrative organs. Such an arrangement can bring about a suitable degree of separation of power and effective checks-and-balances and help achieve not only extensive democracy but also effective centralization.

3. The question of finding the most suitable form of government. It should be said that in the 40 odd years since we came to power, our government organizations have been reformed at a fairly high frequency, and major and minor reforms have occurred many times. Most of these reforms have centered on two questions: one is to streamline the administrative structure and reduce personnel; the other is to delegate or centralize power. Because none of these reforms has aimed at finding a suitable form of government, they have never broken the cycles of "simplification—expansion—simplification again—expansion again" and "separation of power—centralization of power—separation of power again—centralization of power again." Therefore, a more ideal form of government has never been found. It now seems that to reform the government organizations, we should begin by looking for a suitable form of government. It is most important that we take the road leading to "small government and big society" or "small government and big market." The basic aim is that the government will only do what the market can never do or can never do well and leave, or constantly pass on, to the market all the things that can be done well by the market. The functions of this "small government" are macro-management of the state, instead of direct pursuit of economic results, and maintenance of basic social order under the conditions of a commodity economy. Only in this way can the government become a highly efficient and honest administrative apparatus, effectively increase the "administrative productivity," and continuously provide the masses of people with good and cheap "political products": welfare, security, freedom, and so forth. Now, we have already done a great deal of useful explorations in seeking a suitable form of government, especially in the reform of county-level government organizations, and have gained some useful experiences. We should sum up these experiences, raise them to the theoretical level, make our decisions carefully, then produce plans, and put them into effect.

4. The question of the direction of power. Whether power is from bottom to top (from election by the people) or from top to bottom (by appointment level by level starting from the top) seems to be only a question of whether it is a responsibility system or an election system, but actually it is a question of "democracy" or "monarchy." Obviously what we want is an election system which reflects the will of the people. In the past we have practiced a cadre employment system which is mainly an appointment system. In recent years some departments have begun to make the transition from the responsibility system to the election, examination, and appointment systems. In fact the election system is still not very sound and practical, however. The candidates are decided at the higher level but not publicly announced; the election is indirect; and the number of candidates is basically the same as the number elected. The election results can hardly be regarded as truly reflecting the will of the people. Those who choose the candidates often prefer people less qualified than they are themselves, first-rate people choosing second-rate candidates, and second-rate people choosing third-rate candidates. Those who are chosen understand that their future is entirely in the hands of their superiors, and people with mediocre ability and even crafty cycophants and villains can still be nominated and chosen for important jobs through improper channels. The people's congresses at various levels, which represent "public opinion," often become "meetings of advanced elements" or "meetings of model workers," and a few representatives are rather basking in honors than fulfilling their responsibilities.

In order to change appointment from the top to election from the bottom, selection of candidates by a few persons as they wish to election of competent people by the masses as they will, and selection of candidates from a small number of people to selection of competent people extensively from society, it is necessary to give the right to elect leaders and managers back to the people. From the central to the local level, from the local to the grassroots level, and from organs of state power to enterprises and establishments, the leaders and managers at all levels and in all departments should gradually come from the election system or examination system. The election system should be improved constantly; candidates should be elected; and in elections, the number of candidates should be greater than the number elected. At the same time, vigorous efforts should be made to create the conditions for the democratic system with popular participation (direct democracy) to replace the representative system (indirect democracy). The election system should also allow people to run for office. Because even though running for office is a product of the bourgeois revolution, it is an important result of the development of the civilization of mankind, a negation of feudal autocracy, and an important component part of the general election system—the guarantee to put the brightest and ablest on the political stage through campaigning.

In short, we should, through improving the election system, establish a mechanism to put those who are competent, popular, and progressive in office, and remove those who are incompetent, unpopular, and reactionary from office, so that the important party and state posts will become a broad stage for the country's best statesmen to give full play to their talents and bring benefit to the people, the local and grassroots leading posts will become a stage for the best qualified local people, and the leading posts in each department will become a stage for the best qualified people in that field. With such a group of people to lead and manage our country, the pace of our modernization program will be greatly accelerated.

5. The question of transfer of power and succession. In the Western countries, the transfer of power and succession is institutionalized and codified, which is desirable. Each of their successions is accompanied by a great social shock, sometimes even a "political earthquake," and a certain period of anarchy, which would be very dangerous for a big country with a population of 1.1 billion like ours. Ours is a socialist country, and our people fully enjoy the power to decide whether a party or state leader should remain in office or be removed and to replace party and state leaders and even the government in a more normal way. Because party and state leaders are public servants, the people have every right to replace them. At the same time, no citizen has the right to overthrow by force the government elected by the majority of citizens and their representatives, however. Our present system for the transfer of power and succession is unsound and imperfect; it has not yet become an institutional and procedural matter; the power structure is still in a "high stability but low quality" state; and the system of lifelong tenure for cadres has not yet been abolished completely. All this has caused many problems. First, cadres are willing to work at higher but not lower levels and are ready to be an official but not one of the common people. A small number of them have occupied important positions for a long time, and it is difficult to replace them in a normal way. Second, a few highly talented persons, after rising to leading positions, have indeed made great contributions to the people's cause, but, as time goes by, some of them have taken advantage of the people's trust to do evil and are hurting the people's cause. Third, qualified people are being suppressed. Because of the lack of an institutionalized and codified system for the transfer of power, a rather large number of talented people are unable to give play to their talents, and their wish to serve the country cannot be fully realized. On the one hand, there is an acute shortage of qualified people, but, on the other hand, many highly qualified people are unable to find suitable employment; on the one hand, many highly qualified people have no chance to put their talents to use, while, on the other hand, incompetent people are occupying important positions and hurting the country and the people; on the one hand, it is difficult for competent people to gain prominence, but, on the other

hand, some who have risen to prominence often degenerate terribly; on the one hand really competent people are scarce, but, on the other hand, there is an unusually large number of impostors of all kinds; on the one hand, it is difficult for really talented people to be recognized by society, while, on the other hand, clever but evil people who hurt the cause are swaggering through the streets in great style. To solve these problems, it is necessary to have a normal transfer of power and succession. A strict term of office should be set for leading cadres on every post. There should be strict limits to reelections or reappointments even for people of exceptional abilities.

6. The question of "official standard." In China, all trades and professions use the same system of grades and ranks for their employees as that used by the government. It is often mentioned as the "official standard," and it is where the so-called provincial-and-army level, prefectural-and-divisional level, county-and-regimental level, and so forth come from. Thus, enterprises, hospitals, schools, and so on all use similar grades and ranks, and even Buddhist abbots and monks have ranks—the departmental level and deputy-departmental level, respectively. Some units do not quite fit in with these administrative levels, so the semi-bureau level, semi-departmental level, and so forth are added. This "official standard" has made the administrative ranks seem to be the only yardstick to measure a person's value. Therefore, people desperately seek to become an official, and vast numbers of people try to get into party and government departments. Many organizations ask to be raised to a high level, which is caused directly by this "official standard." To solve the "official standard" issue and the problems it has caused, it is necessary not only to change people's value concept and pursuit, but also to change the system in the course of the political structural reform, that is, to raise the position of knowledge and the position of industry and commerce. We should understand that knowledge, intelligence, creativity, and acumen have no corresponding relationship to positions. There is not much to compare between a successful businessman, an authority in academic circles, and a government official. Between a noted scholar and a political figure, it is hard to say who is better. By this reasoning, we can really foster the social psychology which believes that "every profession produces its own leading authority." We should liberate the whole nation, particularly all the trades and professions other than the party and government departments, from the "official standard." An enterprise, regardless of its size and owner, is an independent legal person, and should not have any administrative rank. Its position can only be determined by its strength and contributions to society. The position of a school, whether a university, middle school, or primary school, can only be determined by its academic standing and public reputation. As for the responsible persons of enterprises, schools, and various types of mass organizations, the question is rather one of title than rank. A university president should be the

symbol of that university's academic standard. An enterprise's manager should be the symbol of its management standard and development capacity. Through abolishing the "official standard," we should achieve step by step a rational division of labor in society, let the adventurous engage in trade, the competent managers run enterprises, the trail blazers do research, those who are really capable to participate in government affairs work as legislators, and those who are dedicated and also follow rules and orders serve as government officials. This is not only what the political structural reform should aim at, but also an important sign of whether a country and nation has vigor and vitality.

### Beijing Sanitation Workers Call for Strike

92CM0037A Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 70, Oct 92 pp 31,53

[Article by Mao Ni (3029 1200): "Beijing Sanitation Workers Call for Strike"]

[Text] On August 11th at about 9:30 in the morning, as I rode my bicycle under the Xizhimen viaduct, I saw a crowd looking at something posted on the wall. A policeman squeezed out from the crowd and anxiously asked a passerby where the nearest phone was. I sensed that whatever it was on the wall was worth a look.

### Flyer Calling for Strike Posted at Beijing's Ximen

It turned out to be a flyer calling for a strike. This was the first time I had seen anything political in nature posted in a public place since the June 4th Incident. The flyer was signed "the entire body of workers and staff at Eastern District Sanitation Team No. 1" and "Association of Sanitation Workers and Staff." The full title of Eastern District Sanitation Team No. 1 is "Beijing Eastern District Environmental Sanitation Management Bureau, Team Number 1." Most of its workers and staff are janitors responsible for sweeping streets, hauling trash, cleaning up public toilets, etc. I had never heard of the Association of Sanitation Workers and Staff, but it was apparent from the flyer that it was a union organized by the strikers, somewhat akin to "Solidarity."

The author of the flyer was definitely a worker. The logic was loose, and the statement was too long. I was aware that the police had already reported the situation, so there was only time for a quick look.

"....Everybody who's a honcho, no matter how big or small, lives free and easy, so why do we workers have to work ourselves silly? ...Every time we go to the bathroom, the man is out there counting the time. If the honchos are somebody special, how much more special are we workers? We are the masters of society. The honchos depend on our hard work to stay alive, but all they show us is their butt ugly scowling faces. They take all the credit and the rewards and the biggest pay envelopes, while we workers get paid less. We are the ones sweeping streets and cleaning up the city. Where do the honchos get off acting like lords?"

"...What leader does not have housing? If we are all people, why are we not treated the same? We are growing old one by one, but when is the wait going to end? Even when a person is about to retire, there is no hope of getting housing through the Sanitation Team...."

#### The Working Class is Not to Be Trifled With

*"We say to our fellow workers, comrades-in-arms, brothers, and sisters throughout the city: We cannot put up with this any longer. We are people, too. We cannot be mistreated by those honchos. All of the workers and staff at Eastern District Sanitation Team No. 1 are uniting to recover the money that those blood suckers and parasites have taken from us workers. We are taking back whatever has been embezzled from us. We are going to show those honchos that the working class is not to be trifled with, that the working class is the master of society, that it is a class with lofty ideals. We are going to make every social class and every prominent person sit up and take notice of the ones with the lowest social position, the ones everyone looks down upon, the ones everyone regards as smelly: the sanitation workers who sweep the streets!"*

"....Officials are so cocky and proud. They go everywhere in cars, and bark out what they want to eat, like chicken, duck, fish, squid rolls, swallow's nest soup.... The gnawed bones they throw out are the compensation that we, the working class, get. In today's socialist society, can we the working class allow them to treat us this way?

"Fellow workers, we should unite. We should pay no attention to those two-faced types within the ranks of the working class. They do not deserve the slightest regard. Everyone knows that those people who always jump on the winning bandwagon and hedge their positions are traitors. After the struggle has been won, there will be no spoils for them. There will certainly be those who oppose us; this is quite normal, but if we steadfastly believe that we are doing the right thing, there is no need to fear opposition. We are not isolated; we have the support of a giant army of 90,000 sanitation workers. We demand higher wages, improved working conditions, and recognition of the Association of Sanitation Workers and Staff, a working class organization. These are the goals and demands of this struggle by the working people."

#### Announcement of Strike on 17 August

*"For this reason the Eastern District Sanitation Team No. 1 has scheduled a general strike for 17 August. The strike will include the following actions: We will be sure to go to work, but we will not do any work. We will have all our tools, arrive at work on schedule, and leave work on schedule. We absolutely must be punctual. It would be better to arrive early and leave late than to do the opposite. We must stay on the job for eight hours and continue to do so until the struggle has been won, which is to say, until all our conditions have been met. The Sanitation Workers and Staff Association will assume complete responsibility for the strike."*

"We hope our co-workers, comrades-in-arms, compatriots, brothers, and sisters will lend a friendly hand and work together with us!"

I happened to have my camera with me and had just taken two photos when I discovered that the policeman who had gone to report the situation was now back and hanging in the distance to monitor the scene. Within a few minutes a police vehicle arrived with sirens blaring. Ten or 20 police emerged and used rough tactics to drive away the crowd. They prohibited passersby from stopping and set up a cordon around the strike flyer. A middle-aged man who had been driven from the flyer asked me, "What right have they got not letting us see it?" I could only reply, "You had better ask them."

I heard the highest ranking policeman ask a subordinate where the Eastern District Sanitation Team No. 1 was located, and it occurred to me that the old ladies who had gotten up in the middle of the night to sweep the streets and haul trash were probably in for trouble. I hid behind a bridge abutment with the intention of photographing the scene. I had just pressed the shutter release when I was discovered by a policeman. He started screaming and sent me fleeing in panic. I turned my bicycle left and right through a series of sidestreets, only breathing a sigh of relief when I found no one following me any longer. Unfortunately, that last photo was not properly focused and the developers, thinking it trash, cut half of it off.

I later heard that the flyer, as well as pictorial posters, had been posted in many places around Beijing.

**On the heels of stock market unrest in Shenzhen, a strike was called for in Beijing. On the surface of it, these incidents in northern and southern China would appear completely different, but they both reflect two crises which lurk beneath the prosperous surface of China and could very well explode simultaneously into the open. First, progress in the transition to a market economy has sharpened people's focus on the pursuit of private interests even as economic uncertainty has increased; psychological instability can easily crop up in society in midst of competition and the emergence of winners and losers. Second, progress in the transition to a market economy is destroying the original social services provided by the state, which also makes it easy for psychological instability to crop up in a society where "being stripped of something" results in feelings of insecurity. Both of these types of psychological instability exist side-by-side within many people on the Mainland. As a result, the progress of "reform" is inevitably accompanied by enormous tension in Mainland society. Once it gets out of control, the backlash could be powerful.**

#### Bloody Specter of June 4th Reappears on Horizon

In reality, this is not a new crisis. The underlying causes of the June 4th Incident cannot be considered unrelated to the current situation. During the three-year period of so-called "improvement and rectification," the social problems and crises of that year were not fundamentally resolved. At most, the fundamental factors leading to

June 4th have been temporarily suppressed. Now, the "Deng whirlwind" has revived the progress of reform after its June 4th interruption, but this merely returns things to where they were prior to June 4th. Logically, then, who would dare say that the inflation, panic buying, and bank runs that preceded June 4th will not reoccur, or that society will not slide once again into chaos under the weight of such crises? The "Deng whirlwind" was only six months old when centrifugal forces appeared in Shenzhen, the model of Dengist reform, and in Beijing, his power base. This cannot but spur people to note, with a shiver, that the bloody specter of June 4th has reappeared upon the horizon.

### Party Congress Fails To Address Major Political Issues

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[Article by Ch'i Hua (4362 5478): "Party Congress Fails to Address Major Political Issues"]

[Text] The 14th party congress currently in session cannot resolve the five biggest conflicts currently facing China, and these conflicts will directly affect China's fate.

### Conflict Between Opening Up and Opposition to Peaceful Evolution

The opening up pursued by Deng Xiaoping involved "only opening up one door," which means only engaging in economic and technical exchange with other countries, and at most perhaps consenting to the importation of advanced management practices, while steadfastly barring at the door Western values based upon freedom, human rights, and democracy. Even more out of the question is the possibility of borrowing from the more reasonable aspects of Western systems of government. Deng Xiaoping and Chen Yun believe that such values are the weapons with which the West pursues peaceful evolution in China.

The 14th Party Congress will not terminate the process of opening up; on the contrary, it will further expand openness, because not only is it an important means by which to develop a market economy and technology, but it is also directly connected with the ability of many laborers (especially in the coastal areas) to find employment. More importantly, opening up is not merely a fundamental state policy, it also enables China to bestow benefits upon local authorities and has thus won tenacious support at the local level. Against the background of continual decentralization, the central authorities would encounter powerful resistance from local authorities if they tried to close the door to the outside world.

The central authorities cannot possibly renounce their "opposition to peaceful evolution," however. The basic positions of the various factions within the party are

unanimous on this point; the only disagreement concerns the exact role to be played by opposition to peaceful evolution. The Deng faction believes that it should serve the purposes of the central goal of economic development, while the Chen faction believes that it should at least equal the importance of economic development. The 14th Party Congress will not accept this "multiple central goals" position, but it will certainly continue the policy of opposition to peaceful evolution.

In general, opening up is still an economic necessity at this point, while opposition to peaceful evolution is a political necessity with a legality based upon the four cardinal principles and state sovereignty. The 14th Party Congress offers no good way to resolve the conflict between these two positions. After the 14th Party Congress, other factors will determine which position gains the upper hand.

The 14th Party Congress will affirm the continuation of decentralization for the following reasons:

First, local delegates account for 60 percent of all delegates at the 14th Party Congress, and they are sure to support decentralization. Second, even if the congress does not add any further impetus toward decentralization, it cannot negate the decentralization which has already taken place. Third, rolling back decentralization is no longer solely dependent upon the will of the central authorities. Not only do local authorities have the ability to resist, but they can also "grab power" themselves. Fourth, a reversal of decentralization by the central authorities would be directly prejudicial to local interests and could cause them to once again become a heavy burden upon the central authorities.

Decentralization naturally signifies a relative lessening of central authority, so the contest over decentralization versus strengthening of central authority will continue. There are other reasons why the 14th Party Congress cannot resolve this conflict, however.

First, the 14th Party Congress can neither change the unipolar state system in which power is concentrated at the center, nor can it negate the existing program of decentralization or the effects of that program. This makes it impossible to fundamentally resolve the conflict between decentralization and central authority.

Second, the present group of central leaders do not enjoy great prestige. They need to consolidate their own positions by strengthening central authority, but, at the same time, they are forced to seek the recognition and support of local authorities, so they cannot ignore the calls of the latter for decentralization, much less can they lightly attempt to reverse decentralization.

Third, although the central authorities can use their power over personnel moves to assure that local officials (mainly officials at the provincial level) will submit to the center on many issues, this does not enable them to

make local authorities drop their demands for decentralization, because decentralization has become an important precondition for economic development at the local level. It has become an integral part of the economic system, and will not disappear due to personnel changes.

Fourth, it is beyond doubt that, given China's circumstances, an appropriate degree of central authority is necessary, but the problem is that the current political system does not provide the framework by which to accomplish the formation of central authority; what it does provide is a legal basis for the centralization of power, thus local authorities can only lessen the degree of the centralization of power by demanding decentralization. Within this process, there cannot but be conflict between demands for decentralization and strengthening of central authority.

Fifth, decentralization is an important aspect of economic reform. Strengthening central authority is primarily a political necessity, and it reflects the requirements of the current political system. Thus, the conflict is in essence between the furthering of economic reform and the weakening of political reform. Therefore, the 14th Party Congress cannot achieve a comprehensive resolution of the conflict between decentralization and strengthening of central authority.

#### **The Conflict Between Furthering Economic Reform and Weakening Political Reform**

Conflict between economic reform and political reform, between furthering economic reform and weakening political reform, has existed ever since the 3rd Plenary Session of the 11th Central Committee. It has been more pronounced since the June 4th Incident.

The 14th Party Congress, under the banner of developing a socialist market economy, will bring forth a series of bold economic reform measures. This is undeniably more progressive than the 13th Party Congress, but little fanfare will be devoted to political reform, with the main content being nothing more than reshuffling a few minor offices. This is a retreat from the 13th Party Congress, so there is still no way to resolve the conflict between the furthering of economic reform and the weakening of political reform, which will mean continued resistance to the furthering of economic reform.

To develop a market economy, it is first necessary to clarify property rights. Enterprises only have the authority to engage in business, so they cannot change the entire economy into a market economy. In China, to reform the system of ownership and to clarify property rights goes beyond the scope of economic reform and becomes political reform, because the system of public ownership is both the foundation of the planned economy and the physical basis of the political system. At the same time, the system of public ownership has been built up through political means, and it can only be changed through political reform.

Development of a market economy requires a social milieu of fair competition. Any advantage achieved through special privilege damages such a social milieu, and even makes it hard for such a social milieu to form. A large number of companies with ties to officialdom are using the shortcomings of the current political system to gain various privileges, however. Their access to information, funds, import and export authorization, and connections with officials are advantages that others can only dream of. Merely reshuffling a few minor offices cannot change this situation, and there is even danger that it could make it worse. More serious still, in the past they could not be directly involved in business activities, but it is now perfectly legitimate for them to do so, with imaginable consequences. If we do not carry out thorough political reform (i.e.—reform of the current power structure), it is unlikely that a social milieu that includes fair competition can be established.

In order to develop a market economy, a complete legal system must be put in place. The existence of different interest groups must be recognized, and political conditions must be established which enable them to express and defend their interests. This can only be achieved through furthering of political reform. In order to establish a complete legal system, the legislative body (the National People's Congress) must possess ultimate authority so that it can independently exercise its legislative power, thereby formulating necessary laws in accordance with the laws of the market economy. Problems such as lack of separation between party and government, and the party usurping the function of the government, are everywhere in evidence, and they put the National People's Congress (NPC) in a passive position. It is the Party Central Committee and the State Council which decide what, how, and when laws shall be formulated; the NPC can only exercise the act of "approval." As for enabling different interest groups to express and defend their interests, this is closely dependent upon democratization of elections, freedom of assembly, freedom of the press, and greater transparency in government policy making. All of the problems mentioned above can only be resolved through furthering of political reform, but the 14th Party Congress is apparently unable to completely affirm and plan out such a course of action.

With the progress of economic reform, the conflict between furthering economic reform and weakening political reform will become more pronounced and sharper in the aftermath of the 14th Party Congress.

#### **Conflict Between the Corrupt and the People**

This conflict is one of the main reasons why the 1989 student movement could so quickly and dramatically turn into a nationwide political movement. After the June 4th Incident, opposition to corruption was for a time denounced as a figleaf to cover up anti-party activities, and calls for opposition to corruption quieted down in the face of heavy-handed suppression. The conditions conducive to corruption continued to exist,

however. Corruption became even more prevalent, and the conflict between the people and the corrupt continued to exist, and it has not been eliminated with the furthering of economic reform. The facts show that due to the lack of a concurrent furthering of political reform, many measures aimed at furthering economic reform have easily been used by the corrupt as new means to reap enormous gains, and the people have had to assume risks while gaining little benefit.

If the conflict between the people and the corrupt is to be resolved, the basic conditions leading to corruption must be eliminated. To that end, at least the following problems should be resolved:

First, the political system's centralized power structure must be changed, and a separation of powers, with checks and balances, must be instituted.

Second, the rule of law must be truly implemented, including setting up an adequate body of laws to punish corruption, and organs must be established which will rigorously enforce the law.

Third, regulation of the news media must be relaxed, and the whistle blowing system must be perfected. The news media must be allowed to expose corruption and publicly report all economic activities in which power and money commingle.

Although both Deng Xiaoping and Chen Yun proclaim their desire to punish corruption, neither one is willing to use the one effective means of doing so—furthering political reform, however. Thus, the 14th Party Congress cannot fundamentally resolve the problem of corruption, either. The conflict between the people and the corrupt will continue.

#### **The Conflict Between Unification and Diversity**

This is a major conflict, with two main aspects. One aspect is the conflict between the Communist Party core leadership and various other forces within the party. The other aspect of this conflict is between the unified nature of China's entire political system and the diversified nature of society. This is a much more far-reaching and significant conflict, and if it is not dealt with decisively it could eventually become the main factor leading to social instability and warfare between different power blocs.

The conflict between the core leadership and other forces within the party is indicative of the serious crisis facing the party power structure under new historical circumstances.

The Communist Party has a highly centralized power structure. It may be that various forces within the party are genuinely willing to submit to a leadership core that enjoys absolute authority, but it may also be that they have no other choice.

This power structure was forged during wartime and consolidated in the 30 years following establishment of

the republic. To work, it requires that the highest authority at the core have the ability to control and balance different forces. The latter cannot develop into a threat vis-a-vis the former, and they must depend on submission to the former for existence. It was Mao Zedong who constituted this core from the 7th Party Congress in 1945 until his death. From 1979 to 1989 it was Deng Xiaoping who played this role, and after the June 4th Incident in 1989 Deng and Chen Yun became a dual core, while, at the same time, the development of different forces within the party was abetted. The current Jiang Zemin leadership core merely reflects, in a round-about way, the reality of the Deng-Chen core. The problem is that no matter who is chosen as the core during the 14th Party Congress, that person will have to face a serious challenge from other forces within the party after the older generation passes away. A crisis will arise over the question of whether the entire party accepts its legitimacy as the core leadership. There are several reasons for this:

First, the formation of the core leadership is an historical circumstance, not the result of promotion through the ranks, but today's core leadership only has the support of the older leaders. This cannot be blamed to any great degree on the new leaders, because there have been many with leadership potential who have been unable during the long rule of Mao and Deng to distinguish themselves and develop a proper image. In addition, continual political purges have brought down many rising stars, so the older generation has had to hastily choose a successor when finally forced to take that step.

Second, regardless of the successor's ability, he must do the bidding of the older generation as long as it stays alive, and he lives in its shadow. Final authority on any major decision remains in the hands of the older generation. Even more of a problem is the fact that even though this successor will have been elected through a vote at the 14th Party Congress, these votes were actually cast for one member or another of the older generation, not for this "new" person.

Third, after the older generation passes away and the new core is able to exercise its power independently may be the time when the various factions are not bound in their voting behavior by previous restraints. The new core might remain in place for a time while lacking the power to control the various forces. Under such circumstances, the highly centralized party power structure begins to disintegrate. The worst scenario involves everyone in the ruling

Party acting independently, leading ultimately to nationwide anarchy. If this came about, it would be a sad time for China. It would create great barriers to a market economy and democratic government.

The 14th Party Congress can mitigate the severity of the conflict described above by including as many delegates as possible from all the different factions in the Politburo, but it cannot resolve the problem, because a new

party power structure can only be achieved under the new historical circumstances by developing democracy within the party. The 14th Party Congress cannot do this.

The conflict between the lack of political diversity and the presence of social diversity is demonstrated in the following conflicts: between the monolithic political structure and a diversified economic base; between monolithic political power and a multitude of different social forces; between political policies made by a single person and the demands of many different interests; between the "unified stance" of political thought and multiple political viewpoints....

The 14th Party Congress can do nothing to fundamentally resolve these conflicts, because they in essence demand socialization of political power, democratization of the political system, and diversification of political thought. All of these run counter to the guiding philosophy of the 14th Party Congress.

The five major conflicts described above are historical, structural, and comprehensive in nature, and cannot be resolved by the 14th Party Congress, which has been called under a particular set of circumstances. The 14th Party Congress can still do some good work toward finding a correct resolution to these conflicts.

### **Employing Reformers With Political Merit Encouraged**

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pp 45-47, 51

[Article by Cai Hongfa (5591 3163 3127), affiliated with Zhejiang Province's Paddy Rice Research Institute, edited by Li Qinghua (2621 1987 5478): "On Boldly Employing Adherents of Reform and Opening With Political Merit"]

[Text] It was pointed out in the report to the 13th CPC Congress that "real achievements in adhering to the four basic principles and persisting in reform and opening up must be the criteria for evaluating cadre merits and faults. It is necessary to boldly employ those cadres who have earned public recognition and trust by making real contributions to the cause of reform, opening, and socialist modernization." This brings up the key matter of paying attention to real achievements in the selection of excellence. In speeches on his southern tour this spring, Comrade Deng Xiaoping further reaffirmed that "now is the time to select and boldly include in our new leadership structure people who are publicly acknowledged to have earned political merit as adherents to the line of reform and opening up, so that the public will believe that we are sincere about reform and opening." As such talk by Comrade Deng Xiaoping provides very strong direction, we need to come to a conscientious understanding of its spirit and substance, and firmly implement it in our cadre-selection work.

### **I. We Need To Fully Understand the Importance of Boldly Employing Adherents of Reform and Opening With Political Merit**

Comrade Deng Xiaoping's reaffirmation that now is the time to select people who are publicly acknowledged to have earned political merit as adherents to the line of reform and opening up, better clarifies our current key personnel-selection qualifications and criteria.

While we have employed in positions of leadership at all levels in these years certain comrades who have been bold about reforming, opening up, developing, and pioneering, which has played a very good role in helping us implement our basic party line and persist in reform and opening up, this matter has not yet been resolved well. So in order to speed up our pace of reform, opening up, and economic growth, we still have a pressing need to give more importance to its resolution.

The political merit referred to by Comrade Deng Xiaoping is mainly adherence to the line of reform and opening up. Why does this point need to be particularly emphasized? This is because China's path lies in reform and opening up, which is the only way that we are going to become a powerful country, and because speeding up our pace of reform and opening is going to require a large group of excellent leaders who will reform and open up boldly and well. Our still unfolding tide of reform and opening is bringing thriving vigor and unlimited vitality to our socialist modernization, while creating a large group of talented personnel who can add fuel to the flames of reform and opening and are determined to reform, open up, develop, and create. We will need to boldly employ them, by placing them in more important positions of leadership, so that our reform and opening can be further expanded, speeded up in pace, and pushed as a historical tide to new heights.

In which case, does our current putting of particular emphasis on having earned political merit as adherents of reform and opening up as key personnel-selection qualifications and criteria conflict with things that our party has always adhered to, such as our cadre line of appointing people according to their political integrity and ability, our cadre criteria of both ability and political integrity, our "cadre four-modernizations" policy of more revolutionary, younger, smarter, and more specialized, or our selection method of making full assessments of political integrity, ability, diligence, and achievements? The answer is that it is fully consistent, with simply a somewhat different emphasis that has been worked out to suit our new conditions. Comrade Deng Xiaoping speaks about our current situation as follows: "What are our employment criteria? Our key political criteria are having made positive contributions to the benefit of our people, the development of our productive forces, and the cause of socialism." In our various historical periods and phases, our party has differing duties, which necessarily puts varying demands on cadres in different jobs. During the years when our party was leading the Chinese people in overthrowing the three

big mountains of imperialism, feudalism, and bureaucrat-capitalism, our cadre-employment criteria could not depart from our revolutionary war conditions. But, today, when China is in the initial stage of socialism, in which our party is leading the Chinese people to build socialism with distinct Chinese characteristics, the correct cadre-employment criteria cannot deviate from our party's basic line of reform and opening up.

Our key current employment qualifications and criteria of public acknowledgment of political merit earned as adherents to the line of reform and opening up, points the way to selecting the right people, employing them well, and knowing them well enough to assign them jobs commensurate with their abilities, because these criteria will select those with the following qualities: 1. They will be people with political merit as adherents to the party's basic line of reform and opening up, which will exclude those who doubt, resist, or even oppose the party's basic line on reform and opening up; 2. Their official career achievements will show that they have freed up their thinking, acted according to the realism principle, been pragmatic, dared to make breakthroughs and experiments, and accomplished things, so are absolutely not of the mediocre type with rigid ways of thinking who are all talk, do not act pragmatically, and are devoid of ability; 3. Their political merit earned in reform and opening up will be publicly acknowledged, so that people will feel reassured when they are placed in the new leadership structure, because they will have been proved in the public eye to be leaders of reform and opening up.

## **II. Boldly Employing Those With Political Merit in Reform and Opening Will Require Making Public, Objective Assessments of Their Political Achievements**

A person's official career achievements in reform and opening up will be an overall reflection of many factors, such as particular, practical leadership contributions in enforcing the party's line, policies, and principles, creativity in fully displaying personal wisdom and intelligence, and ideas, character, knowledge, skills, and hard work. As an individual's official career achievements can be clearly seen and illustrated, political merit is objective, so cannot be changed by anyone's subjective will. But as individual political merit assessments also necessarily involve a subjective factor, criteria are needed to objectively evaluate an individual's official career achievements impartially and accurately.

In short, Comrade Deng Xiaoping's criteria for judging reform and opening success of "contributing to the three things" (i.e., the benefit of the people, the development of the productive forces, and the cause of socialism) should be the standards by which to evaluate an individual's political merit earned as an adherent of reform and opening up. In particular, assessments of the prominence of individual official career achievements in reform and opening can be based mainly on the following things: real individual achievements made in the interests of the party and the people in implementing the party's basic line on reform and opening; display of revolutionary

spirit in doing an outstanding job, making breakthroughs, changing things, and improving work performance; strength of mindset about service to economic development, clearness of reform ideas, ability to assess economic indicators, and capacity to bring about rapid increases in economic growth rates and economic efficiency; skill in combining the party line on reform and opening with the realities of one's region, department, or unit; work creativity and efficiency; inspiration of reform and opening spirit and approach; boldness in overcoming difficulties encountered in reform and opening; spirit of dedication to the cause of reform and opening; initiative and creativity in arousing cadres and the public to reform and open up; and evaluations by cadres and the public on adherence to reform and opening up.

Evaluations of individual official career achievements in reform and opening must also consider work post and nature features that cause differing contents and manifestations of political merit earned in reform and opening. Regional geographic conditions and surrounding environments must also be considered. Instead of judging according to a particular model or yardstick divorced from work realities and objective surroundings, realistic and detailed analyses should be made of particular conditions.

Moreover, it is necessary to take notice of how "reform and opening political merit" was earned. If it was earned through sacrificing overall and long-range interests, using improper methods, being overeager for quick success and instant results, killing the hen to get the eggs, or opportunism, the individual concerned not only should not be confirmed, but even needs to be criticized, indoctrinated, and promptly guided. If it was earned through fraud or claiming credit for other's achievements, those involved must be punished severely according to the seriousness of the case.

In short, in order to make impartial and accurate assessments of individual political merit in reform and opening, we must pay attention to studying how the individual has dealt with the following relations: 1. The relations among the interests of the individual, the collective, and the state; 2. The relations between the development of our spiritual and material civilizations; 3. The relations between individual subjective efforts and objective conditions; 4. The relations between the individual and overall role; 5. The relations between success or failure.

## **III. Boldly Employing Those With Political Merit in Reform and Opening Will Require Smashing "Left" Taboos and Removing All Obstacles**

When making specific employment choices, those infected with "left" ideas often remark that comrades who are bold at reform and opening are "not ideal" in one respect or "not to their liking" in another, regard those who are strong in party spirit and genuinely

talented but too bold at reform and opening as "unstable" and "unreliable," say that those who wholeheartedly support reform, opening, and economic development "ignore politics," and see the bold study of foreign civilization excellence as learning "capitalism." This means that when you say one can be employed, they respond that he is unqualified, when you say that one has both ability and merit, they retort that he is an expert but not red, and when you say that one has both ability and political integrity and is both red and expert, they raise other objections, making it impossible to promptly employ certain excellent talents with political merit in reform and opening that meets employment qualifications. Just as there is no pure gold or perfect man, reform and opening defects and mistakes are even more unavoidable. When regarding political merit in reform and opening as key employment prerequisites and criteria, while smashing "left" taboos and shackles may be a very difficult task, not doing it would make boldly employing those with political merit in reform and opening mere idle talk. This means that allowing "left" "political criteria," "political visions," or "political stands" to continue in our cadre-selection work would spell an end to our party's great cause of reform and opening due to the suppression of a large number of excellent cadres. In other words, will and daring in boldly employing those with political merit in reform and opening are key indications of the political strength and ideological liberation of leaders, as well as of the leadership's approach to the party's basic line and its reform and opening policy.

As to boldly employing those with political merit in reform and opening, freeing up thinking and smashing "left" taboos are crucial and glaring problems. Meanwhile, it is also necessary to remove common obstacles to cadre-selection work, such as misunderstandings, the shackles of outdated concepts and conventions, and the low quality of employers per se. There are many examples of this, such as appointing people by favoritism, being jealous of those more capable, excluding certain types of people, and relying on personal impressions, tastes, and grievances; setting up obstacles, excluding outsiders, and forming factions; showing favoritism in employing those who are "honest" and "of one's own faction," while actually favoring those who are mediocre in both ability and political integrity; thinking that "there is merit in hard work alone without making real contributions," so trying to balance things out and make allowances; and working behind closed doors, by using handicraft-type and secretive employment methods. It will be only through the removal of all obstacles and pioneering a new path that we will be able to display the talents of a large group of people with political merit in reform and opening up.

#### **IV. Boldly Employing Those With Political Merit in Reform and Opening Will Also Require Taking Conscientious Steps and Actions in Real Work**

Boldly employing a large group of leaders who adhere to the line of reform and opening will finally require the following real actions:

1. Facing up to the word "bold." We must not be plagued by all sorts of fears. All those with political merit in reform and opening who are still being shelved should be reexamined and boldly reinstated according to their abilities in the following cases: controversial people with outstanding merits but clear flaws, so that appraisals vary and there is a mixed record; those who are sticklers for principles, have keen insight, do not make promises easily, and do not readily subscribe to other's views, so are regarded as so-called "proud and self-satisfied," "disobedient to the leadership," and "disrespectful of others," as well as those who are slightly conceited because their "brothers have earned merit;" and those who have made mistakes, which the facts prove have been corrected (including those who have been punished for making mistakes);

2. Daring to explore. In cases where boundaries do not contribute to the employment of excellence, such as the status boundaries among peasants, workers, and cadres, the residential boundaries between agricultural and urban, the ownership boundaries among individual, collective, and state-owned, and the departmental and regional boundaries between units and localities, we must dare to boldly explore with a spirit of reform, by finding ways to break through these boundaries, in order to gradually establish a personnel-selection mechanism for both workers and peasants so that, as long as they meet employment-selection qualifications and criteria, they can compete fairly and impartially for jobs in county, municipal, provincial, and even central state organs;

3. Daring to break the rules. We need to take exceptional selection steps for personnel who are particularly talented at reform and opening. We should break the rules to employ some, promote others in small steps at a fast pace, provide others with opportunities to test and display their talents, and send yet others down to the grassroots levels for practice and tempering or selectively send them to pursue advanced studies. We need to boldly employ promising young people, while opening up ways for a display of talents by older people who are in good health, have rich experience, and have a spirit of reform and opening;

4. Daring to protect. As to comrades with political merit in reform and opening who are placed in new leadership organs, we should similarly apply the five requirements for taking good care of cadres proposed by Mao Zedong in his article on *The Status of the CPC in Nationality Struggles* and Comrade Chen Yun's four principles of: understanding, great daring, good employment, and concern for the person. But we also need to take specific steps to boost their courage, so that we absolutely do not permit reformers to be harmed by those who refuse to face the facts and can only criticize or find fault with reform and opening;

5. Taking conscientious steps to resolve the matter of leading cadres "being promotable but neither demutable or dismissable."

Unless we can get rid of our current leaders who have been proved to be definitely inferior, it will be very hard for us to select and put into our leadership cadres who have earned political merit as adherents of reform and opening up. In dealing with this matter, we definitely need to uphold dialectics, in order to eradicate old ideas. "In most cases, the leading cadres neither should nor can remain completely the same throughout the beginning, middle, and final stages of a great struggle. Rather, it is necessary to constantly promote activists who emerge through struggle to replace former key figures who have been proved to be definitely inferior or who have become corrupt." (*Selected Works of Mao Zedong*, Edition 2, Vol 3, p 898) The following has become a fixed concept in our lives: leading cadres who have not violated the law or discipline or reached retirement age cannot be demoted or dismissed even though their work ability and political merit are mediocre, while newly matured excellent cadres cannot be promoted to positions of leadership despite having better ability and political integrity than certain leading cadres. We must establish that undeserved merit is a concept of the past, get rid of the outworn concept that there is merit in working hard alone without making any real contribution, and adhere to the stand of dialectical development in our leadership selection, so that our leading cadres can truly be both promoted and demoted or dismissed. As to those in current positions of leadership, the ones who are incompetent at reform and opening or lack both ability and merit should be demoted or dismissed, those who interfere with or endanger reform and opening should be dismissed and disciplined, and those who infringe upon party and national interests must be punished in accordance with party discipline and national law. This of course is not to say that there must be a great changing of the guard, but rather that it will be only through allowing both promotions and demotions or dismissals that the accumulated reform and opening initiative of large numbers of cadres will be sharply stimulated, a large group of outstanding and excellent talent will steadily emerge, and our reform and opening as well as our whole cause of socialist modernization will grow and flourish.

#### Economic Reform Challenges Structure of Government

93CM0072A Beijing ZHONGGUO QINGNIAN [CHINESE YOUTH] in Chinese No 9, 9 Sep 92 pp 32-33

[Interview by unnamed reporter with Lin Shangli (2651 1424 4539); place and date not given: "Reform and Opening Up Requires a Modernized Government Administration"]

[Text] **Reporter:** While it should be said that a market economy is a leading factor in capitalist society, a modernized government administration has also played a decisive role in the last half-century, having become an interdependent and indispensable organic part of contemporary capitalist society. As you are studying politics and

administration, will you discuss the modernization of government administration from the perspective of combining the assimilation and use of the experience of others with China's reform and opening up.

[Lin Shangli] As it can be said that China's reform and opening up is about to enter a new phase, the motivating factor for such entry will be the rapid formation of socialist markets. If it is said that the key driving force behind our past dozen years or so of reform and opening up was the policy of our government backed up by its authority, then the future major force for motivating China to further reform and open up will be socialist markets. This first force was man-made, while the second one will be objective. This objective force will use its own inherent laws of operation to push forward China's reform and opening up, which will give Chinese reform an irreversible momentum. On the other hand, as our future reform and opening up will be driven mainly by socialist markets, when these markets become unavoidably linked up with and a part of world markets, China's reform and opening up will become merged with the tide of world development, so that China's development will be forced to be judged by world development standards.

It should be explained that reform and opening up driven mostly by socialist markets certainly will not usurp the place and role of policy in reform and opening. On the contrary, it will make higher demands on government policy for the following reasons: 1) As our socialist markets are as yet undeveloped, good and effective government policy will be needed to nurture and motivate them. 2) Market-driven reform and opening up will make higher demands on government macroeconomic regulation and control and general service capabilities. This means that in the course of ensuring market-driven reform and opening up, the government will have to produce better policies.

During the past dozen years or so of reform and opening up, the Chinese people have come to a more rational and realistic understanding of China's political reform. Most have stopped considering this matter in the abstract, and are thinking instead about political reform from the perspective of China's economic development. Of course, too much must not be made of this. I believe that the greatest challenges to China's political and administrative systems in the new phase of reform and opening will be those to our government-administration system and capability. In this new phase, reform will turn our economy from planning to markets, while our opening up will change from its former pattern of opening up to imports to a two-way opening model combining the introduction of advanced foreign experience with direct participation in international activities. Our full-scale development of a socialist market economy will be bound to demand a revolution of old government management concepts, systems, and operating modes. As Chinese society will open up to the world, much of our government administration will need to operate according to international practice. This means that the

new phase of reform and opening will pose a brand-new challenge to China's government administration, by calling for its modernization.

In which case, how should we now go about striving to expedite the modernization of China's government administration in line with the demands of the new phase of reform and opening?

First, we must clarify that government administration is a science. In other words, government administration, i.e. government administration of all fields of social activities, operates according to inherent laws. These laws operate in both capitalist and socialist countries. For instance, as to central-local relations, central government revenue has to stand in a higher ratio to overall national revenue than does local revenue in countries practicing either system. This is because that is the only way that a central government can exercise effective regulation and control over the whole society, without which its regulation and control capability will erode. In the mid- and late-80's, our reform ran into the problem of central government revenue being out of proportion to local government revenue, which was an immense shock to our central government's authority.

Second, once we have acknowledged that government administration is a science, we need to conscientiously study advanced foreign government-administration experience. Marxism believes that the government of any country, in addition to having the function of political rule, also has the function of public administration, which is the basis for its political rule. While the governments of capitalist countries differ in nature from those of socialist countries, the set of scientific government-administration principles, methods, and experiences that they have evolved to control social activities are generally applicable. This means that instead of simply rejecting them, we ought to study them thoroughly.

Speaking of study, I had a very profound experience. Last summer, when studying the relations between the U.S. federal and state governments, I reread the *Federalist Papers*, which were the ideological basis of the U.S. constitution. Hamilton and others there used rich historical data and powerful persuasion to prove the danger of the U.S. becoming a federation, favoring instead a republic that would maintain national unity. It was at this time that the former Soviet Union's new commonwealth regulations were coming out, focused on favoring a federation. I told a colleague at the time that the Soviet Union is now doing precisely what Americans resolutely opposed at the time of the establishment of the U.S., for which it is going to pay. As this has proved to be so, I believe that it is essential for us to study foreign government-administration experience. This not only can provide us with much enlightenment, but also can help us avoid detours and mistakes.

Finally, we ought to creatively assimilate advanced foreign government-administration experience based on

such study. This so-called creative assimilation means on one hand that we must not revert to our old ways by simply copying and applying indiscriminately and, on the other hand, that we should put advanced foreign management experience to our own use, by evolving our own form of government administration that takes our national conditions into full consideration. Not long ago, the State Council decided to conduct tax-separation pilot projects in several key provinces and municipalities, which is of great significance. While tax separation is a crucial mechanism to balance central-local relations, which is quite prevalent in Western countries, its particular methods vary by country, with Japan and Germany each having their own distinctive practices. So while practice has proved tax separation to be very effective, our current assimilation of it is not by mere imitation, but rather through starting with pilot projects and then gradually evolving a Chinese tax-separation system.

As we are now talking about modernizing China's government administration, we cannot designate the essential orientation of this modernized government administration in the abstract, but rather should proceed from China's reform and opening realities. As to China's future social development, since the major expression of our reform and opening will be the abovementioned marketization and internationalization, China's government administration modernization should unfold in the following three basic directions:

1. A full conversion of government functions to suit them to our development of a socialist market economy. As our development of a socialist market economy will unavoidably bring all possible social activities into line with market regulation and control, it will evolve new social regulation and control forces in our society that are focused on markets. As these forces will be totally different from the regulation and control mechanisms formed on our former planned economy foundation that were focused on the government, our government functions will need to be completely changed as we fully develop a socialist market economy. Unless we solve this problem and stop limiting our functional conversion to a piecemeal approach, we will not be able to begin our next reform step smoothly;

2. The formation of flexible, effective, and scientific macroeconomic regulation and control forces. While the Chinese government's macroeconomic regulation and control capabilities were very strong under our old system, they were formed on a graded microeconomic and mid-level regulation and control basis, so that their realization depended on graded, mandated control. But as our current development of socialist markets will require the government to ease or even abandon its microeconomic and mid-level control, our old macroeconomic regulation and control mechanisms will completely lose their effectiveness. Since our development of a socialist market economy is presenting us with a pressing need for a set of new macroeconomic regulation and control forces that are flexible, effective, and scientific, the full conversion of our government functions

should be combined with the establishment of these new forces. As we obviously lack experience in this area, we will need to learn from others;

3. The internationalization of our government administration. As China's future opening will be two-way, i.e. a combination of introduction and participation, our international cooperation and exchanges will become more extensive and intensive, and Chinese society will become increasingly internationalized. In the course of this tide of development, our government should also become more internationalized. This internationalization should include that of our administrative concepts and personnel, as well as of our administrative system and methods. As to the internationalization of our government administrative personnel, I believe that we should now put into effect as quickly as possible a national public affairs personnel system, as well as

adjusting such a system's development orientation. The internationalization of our government administrative system and methods has now become a key factor in our pushing ahead with reform and opening up. I learned from the news the other day that we are going to reform our accounting system, a key reason being that it is out of line with international practice. When Shanghai was making plans to issue B stocks in Hong Kong at the end of 1991, Hongkongers could not understand the provided accounting statements, which caused trouble for the stock issues, by forcing the concerned enterprises to spend a lot of money on hiring international accounting firms to redo their accounting statements.

So while the modernization of our government administration will be a very complex kind of systems engineering that will run into many difficulties, bold reform and progress is still essential.

## NATIONAL AFFAIRS, POLICY

### Leading Economic Cadres Discuss Market Economy

93CE0143A Beijing JINGJI CANKAO BAO in Chinese  
18 Nov 92 p 4

[Article: "Summary of Speeches Given at a Forum on Socialist Market Economy, Where a Large Group of Natural Scientists and Economists Held a Joint Discussion on Vital Reform Matters"; Editor's note: *JINGJI CANKAO BAO and the State Science and Technology Commission's CHINA SOFT SCIENCE magazine jointly invited a large group of famous natural scientists and economists to a joint discussion of socialist market economy on 23 October 1992 that cut across the scientific classifications of natural and social science. The following is a summary of the speeches given by the participants.*]

#### [Text] The Socialist Market Economy Framework

Gao Shangquan [7559 1424 0356] (Vice Minister of the State Restructuring of the Economic System Commission)

The 14th CPC Congress has set our system reform objective as establishing a socialist market economy system. The framework of this new system will be made up roughly of the following parts: 1) A modern enterprise system suited to the new demands of a socialist market economy. A market economy is ruthless. While we spent money to buy stability in the past for a variety of reasons, this resulted in less stability as more money was spent, so that our enterprises now need to practice selection of excellence by elimination through market competition, for which market forces are the only basis. This means that we need to establish market forces first, so that our enterprises can truly become the major market competitors and second, in order to establish a market economy system. Our development of a socialist market economy will require continued development and improvement of our consumer goods markets, capital goods markets, and even more importantly our key-element markets. All key elements must become market-oriented, including labor, land, and mineral resources. If they do not, key elements will have no way to circulate and we will be unable to achieve an optimum disposition of resources. 2) A social security system. As competition is ruthless, some will succeed and others are bound to fail, so that we must ensure the basic living standards of those who fail in order to guarantee social stability. 3) A macroeconomic regulation and control system suited to a market economy, through speeding up our conversion of government functions. The government must change from its past function of mostly direct control to mainly indirect control, from micromanagement to macrocontrol, and from examination, approval, and allocation of funds and materials to the use of economic leverage and laws for coordination and oversight. The government needs to control well the things that it ought to, while staying out of enterprise affairs. 4)

A legal oversight system suited to a market economy. A market economy requires fair competition without monopoly. This means that we have an urgent need to draw up anti-monopoly legislation to restrict unfair competition, aimed at the implications and reform objectives of a socialist market economy.

Zeng Guoxiang [2582 0948 4382] (Deputy Director of the State Restructuring of the Economic Commission's General Office)

While there are many versions by theorists and practitioners of the implications of a socialist market economy, our discussion leads me to believe that a so-called socialist market economy is a form of economic operation that is premised on adhering to the social basis of our economic system, is adapted to the objective demands of large-scale socialized production and market internationalization, and where market forces play a role in achieving an optimum disposition of resources. In short, a socialist market economy is an economic system and operating form whose major features are as follows: 1) All key production elements must be market-oriented, including capital, labor, technology, and land. It is through their circulation on markets that we will achieve an optimum disposition of resources and key production elements, with prices being determined by market supply and demand and market competition. 2) Property rights relations must be clear, with pluralization of dominance. 3) Market forces play the decisive role in achieving the optimum disposition of public resources. 4) Markets are uniform and open. This openness includes domestic, interregional, and interdepartmental, as well as foreign and multidimensional. 5) Fair competition and legalization of all economic operations are essential requirements. 6) The principles of efficiency and fairness are combined in socialist market economy conditions, so that the bringing into full play of individual initiative, enthusiasm, and creativity is emphasized, while every worker and enterprise is provided a fair chance to compete; some are encouraged to get rich first through honest hard work, while taxation and certain other social guarantees prevent widening of the income gap between rich and poor and polarization, and a path of joint prosperity is emphasized.

Our general objectives in developing a socialist market economy are: 1) To establish an ownership structure suited to large-scale socialized production and market economy demands. We need to evolve a new ownership order of long-term joint development and fair competition, in which the public economy is dominant, while coexisting with diversified economic components. 2) To establish enterprise operating forces based on separation of government and enterprise responsibility and assets ownership and operation, so that enterprises will be independent commodity producers and managers with operating authority and the sole responsibility for their profits and losses. 3) To establish a macroeconomic regulation and control system whose major duties are macroeconomic overall balance and overall structural optimization and whose major tools are economic policy

and economic leverage, as well as the corresponding macroeconomic control and oversight systems, in order to form macroeconomic operating forces in which the state regulates and controls markets while markets guide enterprises. 4) To establish a new sound, accessible, orderly, open, and uniform market system with rules for commodity markets and key-element markets, and which brings into full play the role of the laws of value, supply and demand, and competition. 5) To establish labor employment, distribution, and sound and uniform social security systems that mostly reflect the principle of distribution according to work while coexisting with diversified distribution forms, combine efficiency with fairness, and will gradually achieve joint prosperity for all members of our society. The State Restructuring of the Economic System Commission (SRESC) is amending the 10-Year Program and the outline of the Eighth-Five-Year Plan in line with these general objectives, by drawing up a standardized document as the framework for our basic establishment in eight years, by the year 2000, of a socialist market economy.

#### Economic Efficiency That Emphasizes Technological Advances

*He Zuoxiu [0149 4373 1652] (Research Fellow and Member of the Academic Committee of the Chinese Academy of Sciences' Theoretical Physics Institute)*

The crux of our many years of inadequate coordination of S&T advances with production and conversion of S&T into commodities is not our S&T system per se, but rather the capacity of our economic system to assimilate S&T advances. If our economy did not need technology, there would be no reason for further work by S&T units. Thus, the major reason why developed countries have mechanisms to promote S&T advances and China does not is our need to achieve average profit margins, the crux of which is our practice of profit margin equalitarianism. As we could consider making this matter a system reform struggle objective, it is necessary to point out the following: 1) While there are now certain methods of analyzing the relations between S&T advances and economic production that are not very accurate, the common version in the press is that the conversion rate for S&T achievements is over 70 percent abroad, but only 20-30 percent in China, which figures are wrong. According to the Patent Office, the patent conversion rate is only 4 percent in foreign countries, such as the United States, but 20 percent in China. Why is it that 70 percent of GNP growth abroad comes from S&T advances, but only 20 or 30 percent in China? In our statistics, application by only one firm is included in our conversion rate, without regard for scale or efficiency. This shows that the solution is not in striving for figures and S&T achievement conversion rates, but in striving for genuine economic efficiency, so that every conversion of a technology will have a large coverage and be able to produce great economic efficiency. S&T input, output, and real economic efficiency are matters that must be brought up, so that our striving for S&T

advances is aimed not at conversion rates, but at economic efficiency. 2) While China's thesis publication ranks 16th in the world, our per capita GNP ranks 70th, and some say 120th. In short, while the conclusion reached from our poor showing in per capita GNP is that China's S&T advances do not produce economic efficiency, more careful consideration shows that these are not comparable statistics, with one being a per capita concept, and the other a quantitative one, making such an analytic method unscientific. The [former] Soviet Union and East Europe had greater determination than us, both braving social shakeup dangers, while China was less willing to take such risks. But without risktaking, there can be no progress. This is a matter of degree, which degree is public sustainability. It is impossible to avoid all shocks, as shown by the law of inertia in physics. While momentum may be very great when following the original orbit, a lower orbit may produce vibration, and in some cases inertial spinout. Moreover, public sustainability is a political matter to which much attention should be paid.

#### Training a Large Group of Modern Entrepreneurs

*Dong Fureng [5516 6534 4356] (Vice Chairman of the NPC Financial and Economic Committee)*

In order for China to establish a market economy, we are going to need a large group of modern entrepreneurs. Certain PhDs or state unit department heads have recently begun to work in this direction. I think that unless we have a number of such talented people undertake modern enterprise operations, it will be impossible for China to establish and develop a contemporary market economy. Many people who are now active in our market economy will not be able to become modern entrepreneurs. In individual and private enterprises, the major reasons for this are as follows: 1) they have too little education, so essentially cannot comprehend a contemporary market economy; 2) they think only of getting rich, and have no sense of social responsibility; 3) a few of them act improperly so, if used as enterprise development talent, will make it very hard for a contemporary market economy to emerge and grow in China. The kind of entrepreneurs who we need should have the following qualities: 1) They should be well-educated. For instance, many Taiwanese entrepreneurs are graduates of well-known universities, well-versed in foreign languages, and very skilled in making international contacts. 2) They should be creative. Peter Xiong's theory on creativity is that the entrepreneurial spirit is one of creativity, which is just what China needs. 3) They need to understand how a contemporary market economy operates, including knowing all aspects of modern markets. 4) They must understand modern business management. 5) They should be motivated by the desire to get rich, while not being content with only personal wealth, but making it their business instead to establish and develop enterprises. We need to set up certain training centers in China at which to train a group of modern entrepreneurs.

### Dealing Well With the Distribution Issue in a Market Economy

*Ruan Chongwu [7086 1504 2976] (Minister of Labor)*

As market economy spontaneously raises efficiency, but does not spontaneously provide fairness, often spontaneously producing inequality instead, the government must practice a certain amount of intervention, which makes social policy exceptionally crucial under market conditions. In public ownership, while equalitarianism is very serious, it is also unfair. Under future market conditions, distribution should depend mainly on market competition, i.e., average profit margins. Our society certainly does not practice complete distribution according to work. As genuine distribution according to work is the type of distribution practiced in state-owned units, while other enterprises practice distribution according to markets and the market price of labor, the future price of labor will have a sharp impact on distribution according to work in state-owned units, in that they will be unable to keep low-paid workers. A second distribution issue is a safety net for the less capable, i.e., the social security problem, whose crux is the following types of social insurance: 1) retirement; 2) medical; 3) unemployment; 4) industrial injury. This social insurance should be characterized as follows: 1) it should be mandatory; 2) it should be mutual aid, with the risks shared by all; 3) and its overall management should be socialized.

As to taxation, collecting corporate wage taxes is not the way to go, because it is double taxation as far as workers are concerned, so that we recommend raising the personal income tax awareness, and eliminating the corporate wage reconciliation tax. It is rational that as wages increase, the income tax rate goes up. While we need to emphasize a taxpayer mentality, what is paid in China are indirect taxes, i.e., business and product taxes, so that the common people certainly do not feel that state revenue is money paid by them, and have a poor sense of participation.

### Giving Prominence to Technology Markets

*Duan Ruichun [3008 3843 2504] (Director of the State Science and Technology Commission's System Reform Office)*

As S&T system reform is a related project and component part of market economy reform, its objective is to adapt to market economy reform needs, by establishing new mechanisms that effectively combine S&T with economic growth. As market economy includes commodity and key-element markets, and S&T is the primary productive force, technology markets as part of key-element markets must be given prominence for the following reasons: 1) Economic and social development has brought increasing attention to S&T, bringing commercial attributes and value to technology per se. The last two or three decades have shown that technology

transfer has become a common international phenomenon. 2) Along with the increasing appreciation of technology in commodities and service, commodity and technology markets are becoming competitive technology added value in the field of high technology, and are becoming key factors in commodity and service trade. We must emphasize the following key tasks: 1) Establishing a sound intellectual property rights system by regarding technology as a key element to be protected, and by drawing closer to international norms in our protection of intellectual property rights. 2) Establishing a sound intellectual property rights contract system, which will enable the problem of intellectual property rights ownership to be solved. 3) Establishing a set of rules for competition. 4) Establishing corresponding transition links. 5) Enhancing our spiritual civilization.

### Standardizing Markets as Quickly as Possible

*Fu Limin [0265 4539 3046] (Vice Minister of Commerce)*

A market economy framework is made up of three parts of enterprise subjects, a market system, and a macroeconomic regulation and control oversight system, all of which are needed for markets to operate normally. While we have done much work in these areas, many problems still exist. As our actual nonstandardization has resulted in unfair competition, market standardization is becoming a key issue.

It is hoped that the many scientists assembled at today's forum will study ways that S&T can contribute to market standardization, such as developing a market information system. A crucial defect is our current large volume of cash trade, with which taxation cannot keep up. Things would work much better if we had payment machines.

### The Need To Discuss Our Understanding of the Nature of Socialism

*Wu Mingyu [0702 2494 3842] (Deputy Director General and Research Fellow at the State Council's Economic, Technological, and Social Development Research Center)*

While establishment of a socialist market economy is an inevitable consequence of, a significant breakthrough for, and certainly the turning of a new page in our dozen years or so of reform, our understanding of it is certainly not unanimous, with one problem being socialist market economy as referred to in 14th CPC Congress documents meaning a market economy that evolves under socialist conditions, i.e., that market economy cannot be called either "socialist" or "capitalist." All capitalist countries have market economies with various features and characteristics, with Germany's being different from Japan's, Japan's being different from the United States', and all of them differing from China's, without any distinction in name. Comrade Deng Xiaoping says that while we have practiced socialism for so many years, we have still not clarified what socialism actually is. This is a particularly realistic assertion. While we have been steadily moving forward, we have not yet gained a complete

understanding of many matters. For instance, while the phrase "distribution according to work" has become a standard figure of speech, it actually still contains many matters that need to be studied, such as the percentage of manual laborers decreasing steadily, while that of mental laborers rises, reaching more than one-half or even as high as 70 percent in developed countries. The problem that this brings up is how distribution according to work operates in a society where the major percentage of workers are mental laborers. While Marx expounded on this, he was unable to calculate percentages of work done. As equalitarianism has been a very serious problem for so many years, we should actually adopt distribution according to efficiency, in order to deal well with the relations between efficiency and distribution. Furthermore, as to "public ownership," Marx never used these words, saying instead "social ownership." So what is mostly public ownership? How do we achieve mostly public ownership? All of these questions still await answers. In short, in our study of the spirit of the 14th CPC Congress, we need to further discuss our understanding of the nature of socialism, as well as how to combine well present-day socialism with a contemporary market economy.

#### Developing Better Systems, Legal Institutions, and Mechanisms

*Zhang Sai [1728 6357] (Director of the State Statistical Bureau)*

The many problems that we are now facing can be summed up in the three areas of systems, legal institutions, and mechanisms as follows: 1) As to systems, we certainly need to convert our government functions, so that we can develop a socialist market economy as quickly as possible. Our current organizational establishment is still built on a product economy foundation with economic units controlling all products, and some units have mechanisms that do not work, are unable to make the transition to a market economy, have changed in form but not in content, and are unable to help make enterprises more market-oriented. 2) Regarding legal institutions, we need to speed up our legal system development, with the government focusing its efforts in this area, by drawing up laws in the area of competition protection, such as a "Competition Protection Law." And we also need sounder legal institutions in the area of "statistics-keeping." 3) And in mechanisms, we need not only better enterprise microeconomic operating forces, but even more importantly macroeconomic operating and management mechanisms that can maintain overall balance.

#### Daring To Forge Ahead While Advancing Steadily

*Kong Deyong [1313 1795 8673] (Director and Senior Engineer at the China S&T Promotion Development Studies Center)*

Our transition to a socialist market economy is going to be a complex one.

The winner of the 1992 Nobel Prize for Economics was Baker, who researched the application of economics to human behavior, which warrants study by soft (social?) scientists. For instance, as to our 1988 inflation problem, this behavior reflected a social nonlinear economic phenomenon, whose underlying initial conditions were exceptionally formidable. Take the case of the U.S. meteorologist Lawrence who reached the conclusion from a study of many meteorological models that one butterfly flapping its wings could cause a tornado in a certain U.S. city. Moreover, he concluded that one handclap in a certain place in Beijing could cause a rainstorm in the United States, which shows that meteorology is a nonlinear matter, where a local microshock can produce unexpectedly severe consequences. Socio-economics is also naturally a nonlinear matter, where it is necessary to pay attention to local influences on the overall situation. While we need to take reform risks, we had best proceed safely. In China we need to make a slow transition without major turbulence, as it would be hard to even imagine the consequences of unrest among China's population of 1.2 billion.

#### Intensifying Tax Reform

*Xu Shanda [6079 0810 6671] (Deputy Director of the State Administration of Taxation's Tax Reform Office)*

We have not yet completely broken away from administrative management in our transition to a legally regulated tax order. Looking at this from a market economy perspective, we are facing the following great problems: 1) We do not have a complete set of planned tax laws, with our only genuine legislation being the three of our tax management law, our individual income tax law and also our foreign investment income tax law. And although these three have been passed by the NPC, only the tax management law applies to all taxpayers, while the others apply to only some, showing that we have too few tax laws. 2) Our laws still carry an exceptionally strong flavor of planned economy, with many of them being established on the basis of ownership nature distinctions. For instance, our income taxes have many tax categories and differing tax laws and financial systems, so cannot operate according to the principle of fair market competition, and also have many contradictions. 3) Our legislation is not standardized. For instance, individual income taxes normally have a livelihood deduction, where taxes are paid on income minus livelihood expenses. But this is certainly not the case in China. We are facing great pressure to bring our legislation into line with international practice. Making taxpayers perform their taxpayment duties, while legally protecting individual taxpayer rights and interests, is an essential taxation principle. Very little tax payment is now performed legally, with the percentage of genuine taxpayers exercising their rights and interests according to taxpayment duties decreasing, and a sizeable portion of people doing very little declaring and taxpaying. Tax bureaus also do not have the corresponding measures to control and manage, as well as having too little oversight might. For instance, there is a very serious problem of

tax evasion among performers, with some making their funding units help them collect taxes before performances by deducting taxes first, with all of the rest going to the individual. While China emphasizes mostly enterprise taxation, not handling decentralized taxation well, we are doing a good job of collecting taxes from the self-employed, which will amount to roughly 20 billion yuan in 1993.

#### Converting Enterprise Operating Forces Is the Key To Realizing a Market Economy

*Zhao Haikuan [6392 3189 1401] (Director and Research Fellow at the People's Bank of China's Financial Studies Institute)*

As to the matter of converting enterprise operating forces, I recommend taking active steps to implement a shareholding system, because it is quite well adapted to the needs of a market economy. Our shareholding system experiments should be speeded up. Our current shareholding system still contains many problems, for which much standardization and legislative work needs to be done. Original stock prices need to be set rationally because, if they are irrational and set too low, this will presage large returns once they are sold, and make them uncontrollable by any means.

Secondly, while I actively support the use of foreign investment, it must be based on good utilization of our foreign exchange. While we now have very large foreign exchange reserves, it may be that our current use of foreign investment is almost equal to our foreign exchange reserves (about which I have not made detailed calculations). But I feel that these accounts are not being balanced well, in that we are not using our own money, while importing large amounts of foreign capital, which pays very poorly.

#### Reform Should Become More Overall and Complete

*Yang Peiqing [2799 1014 7230] (Deputy Director General of the State Administration for Industry and Commerce)*

While our reforms have been advancing toward a market economy in recent years, this process contains lessons that we could assimilate. While we have a general architect and an overall design plan, China is still far behind in project completeness. It is hoped that in our future reforms, we will act realistically, by intensifying our coordination of these practical links, so that we can advance in comprehensive and complete steps. In the past dozen years or so, we in China have still not made enough overall considerations, put key issues in many economic fields on our agenda, or conscientiously resolved them, so that they are still blocking our social development. For instance, while we have the largest population in the world, which is a burden, it is also a resource, so that there are extensive structural contents here that can be emphasized.

Why have we still not converted our government functions despite proposals for years to do so? Very little

substantive discussion has gone on in recent years, with simply the same old slogans, such as "converting to a new macroeconomic regulation and control system, by separating government administration from enterprise management." I believe that it is not enough to simply propose separating government administration from enterprise management to reform government functions, but that they also need to be made market-oriented. We now need to infiltrate market concepts into all fields of our society. For instance, while the industrial-commercial enterprise problem may be regarded as an easy topic of discussion, certain ideological limitations are still affecting the development of our productive forces. For example, look at the desolation among our old and large- and medium-sized enterprises in the 156 industrial bases in the Northeast, where one-half or one-third of state enterprises in many prefectures and counties are dependent on individual and private income taxes. Under such conditions, what path should we take to develop our economy and free up our productive forces? I think that we should approve large-scale development of the private and individual economies in certain economically undeveloped regions.

#### GATT Impact on Machinery, Electronics Industry

*93CE0124A Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 9, 27 Sep 92 pp 36-39*

[Article by Xing Yujiu (6717 3768 0036) of the Department of Restructuring the Policy and Legal System, Ministry of Machine Building and Electronics—see related item, 93CE0046A in JPRS-CAR-92-088, 24 November 1992, pp 23-29: "GATT's Impact on Our Machinery, Electronics Industry"]

[Excerpt] [passage omitted] First we will analyze the following question: how big a blow was it to the high, new technology machinery and electronics products? From a look at the present situation in the machinery and electronics industry, we see that the high and new technology products now appearing do not seem to have the capability to contend with the advanced products of the same type abroad. According to our rough analysis, on the whole there are 50 kinds of machinery and electronics products, including computers, videocorders, duplicating machines, automobiles, motorcycles, color television sets and tubes, numerical control machines, radio and television equipment, communications equipment, automated precision printing machinery, precision processing machinery, various of control instruments used in industry, automation instruments, and cameras. Domestically China started fairly late. No matter whether in the scale of production or the level of technology and quality of its products, it is impossible for China to compete with the products of the developed countries, and it is bound to suffer a fairly big blow. If corresponding, effective measures are not taken and if things are done poorly, these young industries, which are still in the budding stage, will come to a premature end or will become appendages to the developed countries. Take, for example, electronic products: not only at the

overall level is it very difficult for them to compete with the advanced products of America, Japan, and Europe, it is also very difficult to compete with the products of Asia's "Four Small Dragons." If China at one stroke would undertake too many import obligations, immediately or very quickly doing away with import licenses and other measures that restrict imports and protect the country's electronics industry, "foreign goods" quite likely would enter China on a large scale. This would be a real threat to China's electronics industry. In the near future it could do a certain amount of damage to some high, new technology domains in China, and they would have to bear some painful costs. This point must be sufficiently and soberly understood.

Second, a number of machinery and electronics enterprises that have a serious problem of duplicative production, particularly some low-quality enterprises, during the process of opening up domestic markets to the outside world, face the serious plight of stopping production, changing industry, going bankrupt, or closing down. At present China's machinery and electronics industry is an industry in which duplicative and dispersed importations are comparatively serious. A considerable number of the enterprises were blindly built in duplication, and their production capacity greatly exceeds the market demand. For example, there are as many as 76 enterprises producing color television sets (except for Tibet and Ningxia, the 28 provinces, municipalities, and autonomous regions all have distribution points), and they have imported 166 color television production and assembly lines. The greater part of the assembly lines have an annual output of under 100,000 sets, only a little more than 10 have an annual output of 30,000 to 40,000 sets, and only one has an annual output of 450,000 sets. China's production capacity is now 21.25 million sets and its annual output is about 11 million sets, so nearly half of its capacity is unused. There are more than 100 refrigerator factories, and their production capacity is 16 million refrigerators. Of these factories, 51 imported more than 60 production lines from 26 companies in 13 countries, and at present their annual output is about 5 million refrigerators; in China as a whole, the average annual output of the producing enterprises is less than 6 million refrigerators, and their operating rate is less than a third of their capacity. As for automobiles, in 1990 China had a total of 163 automobile factories and over 600 automobile refitting factories (except for Tibet, every province and autonomous region had a motor works). China's production capacity is now 800,000 automobiles, but only two factories—the No 1 and the No 2 motor works—have an annual production capacity as high as 100,000 automobiles; the production of several hundred enterprises is less than 1,000 automobiles, and their economic scale is nothing to talk about. According to preliminary statistics, about a third to a half of the equipment in China's processing industry is unused, and because its operations are inadequate every year the profits tax turned over to the higher authorities is 100 billion less. Take, for example, the engineering industry: from a look at the profits tax provided on the

original value of every hundred yuan of fixed assets, in 1985 it was 27.82 yuan and in 1990 it fell to 9.32 yuan, an average annual drop of 19.6 percent; from a look at the profits tax on every hundred yuan, in 1985 it was 22.88 yuan and in 1990 it fell to 6.98 yuan, an average annual drop of 21.1 percent. Under the circumstances in which the domestic market practices protectionism, it is very difficult to change this situation, but after the market opens up to the outside world those industries in which there is serious duplication, especially some low-quality enterprises, are bound to be ruthlessly punished by the competitive mechanisms. It is estimated that a considerable part of these enterprises will switch the direction of their development, and another part of them will land in a fatal position. The appearance of this serious situation will give a fairly big shock to the machinery and electronics industry, and even to the entire society, and cause a series of chain reactions.

Third, following opening of the domestic market to the outside world, the machinery and electronic products lacking competitive power in price and quality will lose their original protection, and will face a latent crisis of being eliminated through competition. Looking at the current situation in the prices of China's machinery and electronics products, we see that, except for the prices of agricultural machinery products, the prices of the other products are universally higher than the prices of the same kind of products on the international market. However, because over the past several years China has basically been in a stage of limited reform and opening up to the outside world, at the same that various kinds of protective measures have been put into effect on Chinese-made machinery and electronics products, dual controls on imported products by quantity restrictions and tariff restrictions have been put into effect, so that the quantity of imported products has been controlled, causing their selling prices on the domestic market to be higher than the selling prices of Chinese-made goods, thereby playing the role of protecting the domestic market. Although this is the case, a considerable part of the enterprises are either in a loss situation or on the brink of a loss situation. Once China joins GATT and its "umbrella" is opened over the domestic market, the consequences will be obvious. Take, for example, the sedans produced by China: at present the Sangtana's selling price is as high as 169,700 yuan, the Biaozhi's is 188,000 yuan, and the Aodi's is 258,000 yuan—a great disparity with the prices of foreign sedans of the same grade. For example, the Japanese-made (Rancho) sedan (2000CC), with power locks and power windows, has a Chinese port price of 83,000 Hong Kong dollars, equal to about 60,000 yuan in renminbi. Internationally, the profit rate on automobile production is usually about 4 to 5 percent, but China's profit rate is as high as 10 or more percent. Again, take, for example, the duplicating machine: the domestic price is over 30,000, about one and a half to three times the international price (the domestic price of the Jianeng 1450 is one and six-tenths times the import price plus tariff). There is a two to four times difference in the price of a camera (the domestic

price of an American camera is about two times its import price plus tariff). With such big price differences, it is basically impossible to compete with imported products. In addition, there is the fact that a considerable part of the machinery and electronic products have many problems both in external appearance and internal quality. If the protectionist measures are abolished, a large number of shipboard goods will swarm into China. Take, for example, machinery and electronics equipment: once the controls on the import license system are relaxed, the desire to import on the part of all walks of life will be further stimulated, and the freedom to buy large amounts of foreign advanced equipment will be greatly increased. This aspect will compel the machinery and electronics enterprises to improve their quality, and they will produce equipment of advanced performance and reliable quality for the consumer; in another aspect, the large amount of imported machinery and electronics equipment is bound to deal an unprecedented blow to domestic production firms, causing some enterprises to face the predicament of low returns or no returns.

#### Official on Inflation, Funding Development of Northwest

HK0812131192 Hong Kong MING PAO in Chinese  
25 Nov 92 p 63

[Text] Chinese Vice Finance Minister Xiang Huaicheng (see photograph) has said that China's economic growth rate is expected to reach 12 percent this year, while growth of industrial output value is expected to reach 20 percent. China is expected to maintain rapid economic growth next year. However, China's economy will still be threatened by potential inflation in the year to come.

When interviewed by this paper in Shanghai, Xiang Huaicheng said that China's financial revenue is expected to reach around 390 billion yuan this year. China's financial revenue stood at 343.1 billion yuan in 1991.

Xiang Huaicheng noted that investment in capital construction in the first 10 months of this year had registered a 35 percent increase compared with that at the start of the year. Since China has kept increasing such investment month in month out, market prices of raw materials have soared. At the moment, one ton of steel on the domestic market costs more than 3,000 yuan, much higher than on the international market, which costs little more than 2,000 yuan.

Nevertheless, Xiang Huaicheng stressed that China would not once again witness the soaring inflation and market disorder she did in 1988. He argued that both the domestic economic situation and the people's adaptability differ from 1988. Now, ordinary citizens have obviously strengthened their concept of inflation.

Now, prices of farm products remain basically stable on the domestic market. There is also a sufficient supply of varieties of farm products. Following the rise in price of

steel products, the hinterland had increased both production and importation of steel products required by the building industry, and special steel products as well. Therefore, price rises for steel products are expected to slow somewhat in future.

The crux of the socialist market economic structure proposed by the 14th CPC National Congress lies in lifting price controls. After lifting price control over some 594 key commodities, the state is expected to lift control over many more commodities. "In one word, the pace of lifting price controls is to be accelerated rather than slowed down while the scope of lifting price controls is to be expanded rather than reduced."

Xiang Huaicheng also disclosed that China now has a large quantity of products in stock. For instance, China now has 200 million tons of coal in stock. There is also a large quantity of frozen meat kept in stock throughout the whole country. The amount of grain kept in stock in China has been increasing year in year out. In view of this situation, China will continue to increase her frozen meat exports to the former Soviet Union, Eastern Europe, and other regions in exchange for steel products and other commodities she badly needs.

Xiang Huaicheng stressed that in inviting foreign funds, all areas must implement the unified state tax rate. He added: "Some areas have lowered tax rates without authorization in order to invite more foreign funds. Such practices cannot be tolerated."

Xiang Huaicheng also said that China would increase the transparency of taxation. The central authorities have already authorized all provinces and municipalities to set up their own taxation supervision departments.

Moreover, due to unbalanced economic development between the eastern and southern coastal areas on the one part and the western and northern hinterland areas on the other, the central authorities have decided to appropriate, as of this year, billions of yuan to the central and western areas every year in a bid to boost the development of township and town enterprises in those areas. This year, the central authorities will appropriate 2 billion yuan to those areas. The figure is to be increased to 5 billion next year.

The central authorities will also implement preferential policies toward various relatively backward regions. Starting from this year, the central authorities will appropriate 200 million yuan each year for a continuous period of 20 years to help the "three Xi regions" in Northwest China, namely Hexi and Dingxi in Gansu and Xihai in Ningxia, to enable them to shake off poverty and achieve prosperity.

## PROVINCIAL

## Anhui Prepares for Joint-Venture Enterprises

93CE0129A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 39, 28 Sep 92 pp 14-15

[Article by Liu Weifu (0491 3262 4395): "Change Thinking and Develop Anhui"]

[Text] The Yangtse River flows through 401 kilometers of Anhui province; people call it the "Anhui river." On either bank sit Wuhu, Maanshan, Tongling and Anqing, four cities under provincial government jurisdiction, and the three regions of Chaohu, Xuancheng and Shizhou. The population and land area of these two areas account for 27 percent and 28 percent, respectively, of the entire province. They account for approximately 40 percent of Anhui's gross industrial output value and fiscal income and more than one-half of its total foreign exchange income. To the east of Anhui is the Yangtse River delta and to the west are the upper reaches of the river. It is obvious how important developing and opening to the outside world the "Anhui river" economic region is to spurring on the same for the entire province and the Yangtse River area.

Therefore, in April 1990, once the official news of the riverside's approval for development and opening to the outside came out, officials of the Anhui Provincial Committee of the Communist Party and the provincial government could not sit still. In mid-July 1990, they held a study meeting in Wuhu where they determined strategic plans to develop the "Anhui river" in concert with Pudong, become more self-reliant, and contribute to the entire province.

There have been major breakthroughs in reforming and opening to the outside the Anhui river development zone in the past two years, particularly in the first half of 1992. There have been notable economic successes. At the same time, under the impetus and influence of the Anhui river area, and with the hard work of all involved, after Anhui's economic situation overcame the great natural disaster of floods and crop failure due to water-logging continuing from 1991, there has been heartening progress in the first half of 1992. Total output of summer grain and oil crops surpassed the bumper harvests of 1990. Gross industrial output value provincewide from January to July 1992 rose 22.59 percent over the same period in 1991, of which, rural enterprises grew 64.3 percent. This is the greatest rise over the same period in recent years. Key construction projects were enhanced by rather great increases in fixed asset investment. There was large-scale growth in the number of enterprises using one of the "three forms of investment" and the number of those actually utilizing foreign investment nearly doubled over 1991.

A short while ago, the central government chose Wuhu as one of five coastal cities for further development and opening to the outside, blowing a more forceful east wind

to development of the Anhui river and bringing provincewide economic development to a new stage. There are discussions on reform and opening to the outside throughout the province. It is inspiring that plans and measures are being worked out for a wave of implementation.

However, many leading cadres and knowledgeable people in Anhui have soberly seen that it is not easy to be optimistic about the future for economic development, whether of the Anhui river area, or Anhui province itself. Anhui not only cannot compete with coastal provinces, but many of its economic indices are lower than those of neighboring inland provinces to the west. There naturally are some incomparable factors and long-term historical causes but it is necessary to review experience subjectively.

What lessons has Anhui learned? Reflecting on and reviewing its reforms and opening to the outside, provincial leaders have often noted that the most important thing is to "change thinking" and first of all steadfastly further liberate the "leftist" fetters from the thinking of some leading cadres.

## Dare to be number one, not "everything is fine officials"

A cadre in Wuhu told me this story. Shortly after the province decided to develop the Anhui river area, Wuhu decided to operate independently a small economic and technological development zone in the suburbs. They did not expect that after opening the zone it was deserted with "guests" were few and far between. Because the project did not have central government approval, should it not have been done? Provincial leaders in Wuhu supported a series of projects without wavering at all. They "ground their teeth" and squeezed out 40 million yuan from the city's already tight fiscal costs, plus five million yuan from the province. In less than one year they achieved "five connections" in the development zone and built a 11,000 sq.m. standard factory. By the end of June 1992, there were a dozen "three forms of investment" enterprises operating, being built, or planning to build. A one-half kilometer "initial site" is full of projects. The cadre said with gratification, if we did not act at the time, wouldn't that have wasted almost two years?

Actually, there are many similar stories in Anhui. As a responsible comrade in the provincial committee sees it, for a long time some have decided events as follows: whenever documents are needed, there are none or we await them; whenever documents are at hand, wait for experience (from elsewhere). All at sixes and sevens, opportunities are lost: they "dare not try, charge ahead or take risks so as to preserve their official posts." This essentially is fettering from "leftist" and old ways of thinking. If we do not eliminate them, it will be difficult to reform further or accelerate opening to the outside.

As everyone knows, when the rural responsibility system was disseminated rapidly in Fengyang, Feixi and other

counties, it greatly liberated and developed rural productivity. This was a brilliant page in China's history of reform and opening to the outside world. Unfortunately, some parts of Anhui still are full of those who believe that "we should take small, measured steps, and although I have few achievements in my political career, they add up each year." Thus the gap between Anhui and advanced areas grows larger.

Now, from the masses in the Anhui river area to the leading cadres in other areas, all feel that we still need to have the creative spirit of the "great responsibility" system. There is no harm in trying whatever is beneficial to economic development, and summarizing and gradually perfecting it. The leaders must take bold responsibility for those who are unsuccessful and create a new situation in the province whereby 100 barges float exuberantly throughout the province.

#### Seek major development projects, not "old math"

Provincial committee secretary Lu Rongjing [4151 2837 2529] told a story about a "Mr. Accountant" at an Anhui river development seminar held in May 1992 in Wuhu. A foreign businessman came to discuss joint venture matters. The factory manager called for assistance from an old accountant who wore thick nearsighted glasses. The old fellow snapped his abacus noisily. When he saw this, the foreigner rolled up his sleeves and left. Comrade Lu Rongjing said we simply cannot handle new matters of reform and opening with a small production mentality. Even the best at the abacus cannot handle the huge synthesized return accounts of "three forms of investment" enterprises. No one will come round if there is no profit to be had. The overall, broad picture must be considered to see if enterprises with "three forms of investment" can be opened. If advantages exceed disadvantages, we must work without hesitation.

The province and cities along the Yangtse River have done much in recent years to develop and open the Anhui river area:

Accelerate infrastructure construction. The province's first highway: the Anhui portion (92 kilometers) of the Hefei to Nanjing highway is completed. At present work is planned for a highway from Hefei through Chaohu to Wuhu, and Wuhu via Maanshan to Nanjing. Once opened to traffic this road will reach Nanjing, linking Anhui's economic development zone directly to the Yangtse River delta. The Tongling Yangtse River Road Bridge was begun in 1991. A project for a Wuhu Yangtse River Bridge was approved by the State Planning Commission a day ago. The Hefei-Jiu(jiang) railroad was begun in 1991; the section from Hefei to Anqing will be completed in 1993. The Wuhu and Anqing airports have been altered and now are used for both military and civilian purposes. The Anhui river has three first category ports and one second category port. The newly built Zhujia Bridge foreign trade wharf in Wuhu has state approval to receive foreign steamers. Cities along the Anhui river all have telephone lines. It is planned that

the existing 50,000 lines will expand to 250,000 by the end of the Eighth Five-Year Plan. The Maanshan Number 2 Telephone Factory, a national and local joint venture, will open in 1992 by building two 300,000 kilowatt sets. Later it will be on the scale of 2.4 million kilowatts.

Continuously enhance coastal economic strength. Besides the large, key state enterprises undergoing technological renovation such as the Maanshan Steel Company, Tongling Nonferrous Metals Company, Anqing Petrochemical Factory, and the Wuhu Microcomputer Company, a number of backbone industrial and tertiary industry projects are or will be under way. At the same time, top agricultural and rural enterprises will be developed.

A window was opened to the east of the river for broad crosswise economic coordination inside the province and out.

In sum, we must make the Anhui river economic zone take off as soon as possible to radiate and motivate the economic development of the whole province.

It is gratifying that in the process of "changing thinking," cadres provincewide have fewer bright little ideas or "old math" and more have broader outlooks, make huge accounts and seek big projects, centered around those mentioned above. Concerned sectors throughout the province give more authority to localities and cities. Fully enacting their own authority, localities, cities and enterprises have formulated good plans for foreign businessmen to come and invest and build factories. Successes have been noteworthy. For example, in the first half of 1992 Huangshan city attracted foreign investment equivalent to the sum of that of the previous five years. People used to call the Fuyang area "Anhui's Siberia." It has taken a big step in reform and opening to the outside. It ranks first in the province in terms of its new enterprises using "three forms of investment" or foreign investment.

#### See correctly, be thorough, not just "gusts of wind"

In a tour of the south, Comrade Xiaoping's speech made many Anhui cadres less doubtful and more liberated in their thinking. When news came out of the central government's decision to open Wuhu in May, a new high tide of reform and opening was set off throughout the province. The provincial leaders at the time calmly noted that the main currents in the province were good, but "gusts of wind" must be avoided. We must protect and guide the ardour of cadres and the masses, really work hard and be thorough. Towards this end, the provincial committee put out "Decisions on certain issues regarding further reform and opening to the outside to accelerate economic development." The provincial government formulated "27 articles" and each locality, city and county made plans and took many real measures concerning their own situations. While improving the soft and hard environments to attract foreign investment, Wuhu also set up a special bureau to

attract businessmen, enlisting more than 400 specialists to work part-time at the coast attracting foreign businessmen—those who cannot find a “nest” to invest in on the coast. They have had some success. Fully utilizing its position as a central city, Hefei is developing suburban town enterprises in a spirit of reform and opening; output value in the first half of 1992 more than doubled over the same period in 1991. Maanshan, Tongling, Anqing, Huabei and other cities have funded their own economic and technological development zones, attracting some enterprises using the “three forms of investment.”

However, the leaders of some units and areas do not have enough “back-up” or energy to implement projects, although they are very earnest and prompt to transmit documents, hold discussions or formulate plans. Cadres and the masses complain about this.

Many leading cadres in the Anhui river area deeply feel that reform and opening to the outside are a systematic project to be meticulously planned for, with concrete matters implemented in stages so that the opportunity is held fast and not lost. It cannot be a “gust of wind.” When the time is past, the environment changes. Otherwise, people always will be passive and backward. Anhui itself has had this experience before. For example, the Yangzi Refrigerator Plant, Quanjiao Diesel Engine Factory, Hefei Washing Machine Plant and other enterprises have put out their all for many years, eventually putting their formerly small and unknown plants into the top ranks nationally. Some other plants flourished for a time with sonorous slogans and inspiring plans but quickly had to cease production or merge with other plants because they could not keep up the pace.

Therefore, many places in Anhui now use new thinking and methods to select talent and appoint cadres. The Wuhu city committee enlistment department recently publically sought to appoint from society managers of 28 city departments and two areas under city jurisdiction. Opinions are favorable. Tongling, Hefei, Huainan, Bengbu and other cities publically sought cadre appointments to attract diverse talents so as to readjust and supplement the leading sectors of some enterprises and units.

Perhaps the feelings and desires of cadres and masses in the Anhui river area and Anhui province itself can be summarized by these phrases: “earnestly ‘change our thinking,’ seek new thought patterns, be diligent and unrelenting in work and go all out to a new stage.”

## INDUSTRY

### Price Reform Faces Challenges, Options in 1990's

93CE0109A Nanchang JIAGE YUEKAN /PRICING MONTHLY in Chinese No. 9, 15 Sep 92 pp 10-14

[Article by Xu Rongchang (079 2839 2490) et al.: “The 1990's: China's Price Reform Faces Challenges and Options”]

### [Text] I. Problems China's Price Reform Faces in the 1990's

After more than a decade of hard work, China's price reform has made tremendous progress and has gotten rid of the traditional framework characterized by a high degree of concentration and has created a lively setup that accommodates several pricing formats at the same time. The price reform of the 1980's has promoted economic development and social stability and has guaranteed continuous improvements in living standards. As we reaffirm the improvements in the overall national economic situation, we must also see the deep-seated, unresolved conflicts in our economic lives which have accumulated over time. In addition, because of the friction between the old and the new systems, there will be new problems and new conflicts. These are the new challenges China's price reform will be facing in the 1990's.

1. The overall price level may be relatively stable, but inflationary pressure remains. After three years of rectification and improvement, the magnitude of price increase is greatly reduced, and compared to the same period a year earlier, retail prices rose 2.1 percent in 1990 and 2.9 percent in 1991, and it is estimated that they will go up about 6 percent in 1992. Compared to the 17.8 percent rate of inflation in 1989, price increases have slowed by 15.7 percent, 14.9 percent, and 11 percent, respectively. While the overall price level has more or less stabilized, there is still the threat of potential inflation, as reflected in the following areas:

(a) The sustained high rate of increase in the credit volume: In 1990, bank loans of all types increased 22.2 percent compared to the year before; currency input increased 9.035 billion yuan, and the volume of currency circulation grew by 12.8 percent, which exceeded by far the 5.2 percent increase in the GNP. In 1991, because of the fairly substantial increase in fixed asset investments, they continued to take up much of the circulation funds, and the banks' loan volume increased by 19 percent compared to the year before. At year-end,  $M_1$  money supply rose 20.2 percent compared to the same period the year before, and  $M_2$  money supply increased 24.1 percent while  $M_3$  increased 26.8 percent, and compared to the 7 percent increase in the GNP, the above 3 money supply indicators grew faster than the economy by 13.2 percent, 17.2 percent, and 19.8 percent, respectively. This tendency to issue more currency than called for by the rate of economic growth which began in 1991 is still gaining momentum, and potential inflation which existed in 1990 and 1991 is even a bigger threat today.

(b) The already huge surplus purchasing power is still growing: For many years the distribution of national income has leaned further and further toward individuals, especially toward the urban high-income earners, and because we have been slow to readjust the consumption and supply mixes, because the consumption scope is too narrow, and because there is only one form of personal financial asset, the consumption level is uneven

and surplus purchasing power has surged. By the end of March 1992, nationwide, surplus purchasing power has reached 1.3073 trillion yuan, equivalent to 1.38 times 1991's total retail sales.

(c) The less-than-optimistic financial situation: Because of poor enterprise efficiency and the failure to make prompt adjustments of the allocation relations, because national debt repayment has reached a peak period, and because of the natural disasters, in 1991, on top of the financial deficits of the previous year, we incurred another 7.106 billion yuan in deficits, 8.76 billion yuan more than estimated at the beginning of the year. If we take into consideration the debts we entered into and the loans we took out, it will be even more difficult to balance the budget in 1992 than in 1991, and it is likely that the financial deficit will continue to grow.

(d) Rising enterprise production cost for comparable products: The constant rise in the purchase price of critical raw materials and energy, the surge in labor cost, and the increase in interest expenses directly drive up enterprise costs. Enterprise production cost for comparable products rose 5.2 percent in 1991 on top of the 6.5 percent increase in the previous year, and in the first quarter of this year, it has risen 3.6 percent compared to the same period a year ago. Because of the market slump and because the state adopted some measures to limit production to reduce the stockpile and lowered prices and profit to make sales and so on, in the last two years, enterprises were unable to shift the higher costs to the consumers and therefore only part of the cost increase was passed on as higher price. Today the market has begun to recover, and it is possible that this will trigger a sudden increase in prices.

(e) Possibility still exists for another round of inflated fixed asset investments: In 1991 society's total fixed asset investments topped 527.9 billion yuan, 18.6 percent more than in the previous year, and in the first quarter of this year, fixed asset investment in the ownership by the whole people units came to 34.4 billion yuan, 36.6 percent more than in the previous year. Because funds are widely scattered, it is very difficult for the state to centralize investments and guide the flow of funds, and the root-cause of bloated investments cannot be eliminated. The number of new projects has soared since 1991, and projects already in progress are rapidly expanding in scope. In 1992, total investment in projects already in progress in the ownership by the whole people system came to 1.4 trillion yuan, and if we consider that some projects have gone over budget, the total will eventually top 1.8 trillion yuan. The 1992 level of planned investment is equivalent to the last five years' total investment and has surpassed the 1988 level. This situation tells us that another round of bloated total fixed asset investment is quite possible.

Looking at the situation in the 1990's as a whole, the rate of economic growth will increase and the people's income level will rise fairly substantially. Thus on the one hand finance, credit, and investment will also

increase fairly significantly, and on the other hand, as the people's income level rises, surplus purchasing power will also increase significantly. Without vigorous macroeconomic regulation and control, potential inflation in the 1990's will turn into real inflation, and this is a problem we should not take lightly; we should give it ample attention.

2. We still do not have the proper pricing mechanisms, and this is evident in the following areas:

(a) The scope of state-set prices is still too large: Currently, among agricultural products, the state still sets the purchase price of 17 varieties, the sales price of 14 varieties, and factory-exit price of six varieties; among industrial capital goods, the state sets the factory-exit price of 733 varieties and the sales price of nine varieties; among industrial consumers goods, the state sets the price of 58 varieties. Some localities are encountering the following problems: One, for some products, the power to set prices has not been completely handed down—even after the central government has decontrolled prices, the provincial government is taking over control, and if the provincial government decontrols prices, the local government continues to impose control, and ultimately, prices are still set by the authorities. Thus, as far as enterprises are concerned, it makes no difference whether power (to set prices) is handed down or not. Two, the list of products under price management grows longer at every level, and the closer to the grass-roots level, the more product prices are managed by the government, and as a result, enterprises have little control over prices. Three, the state is still controlling the prices of some products which it should no longer control. For example, the price of bicycle tires, some types of paper, some essential industrial goods and so on should no longer be controlled. Four, after handing down the power to set some product prices, although the state no longer directly sets prices, it still controls them by stipulating the pricing methods or the price differential rates, and so prices are "decontrolled in name but not in fact." Five, in some localities, the price control scope is vague; the prices of products that are not on the state-set price list nor on the decontrolled list are all set by the state.

(b) The pricing mechanisms are improper: If we look at the state-set prices, on the one hand, because of rigid control, it is impossible to make timely price adjustments according to supply and demand, and so the state prices are either too high or too low. On the other hand, because of slack management, some product prices are state-set in name but not in fact. Meanwhile, because state-set prices come in many different forms, prices are confusing which make enterprise management chaotic. If we look at the state's guidance prices, because of the lack of strong and effective means of regulation and control, basically they provide little guidance and are in fact either disguised mandatory prices or market regulated prices. If we look at market regulated prices, because of the lack of effective management and control and the absence of forceful laws and regulations and

necessary administrative interventions, market prices tend to be very volatile, creating confusion in the circulation sector.

(c) The loophole in the pricing mechanism is too big, as reflected prominently in the double-track pricing system: Because of the gap between planned and extra-plan prices, in order to reap more profit, some departments and enterprises are unwilling to fulfill their planned tasks and different forms of "official profiteering" and "personal profiteering" have appeared as a result. These make planning, price management, resource allocation, and enterprise accounting very difficult, and in turn they also exacerbate the confusion in the circulation sector.

3. We have not completely solved the problem of the improper pricing structure, and this is reflected mainly in the following areas:

(a) The price scissors between agricultural and industrial products continued to widen for two consecutive years. In 1989, rural industrial product retail prices rose 18.7 percent, while agricultural sideline product purchase prices rose 15 percent, and the price scissors between agricultural and industrial products widened by 3.2 percent compared to the previous year. In 1990, due to the decline in negotiated and market prices of grain and the stable but lower price of foodstuff and the general leveling off of prices in country fair trade, the overall purchase price index of agricultural sideline products came to 97.4 percent, 2.6 percent lower than the previous year's, and in the same period, rural industrial product prices rose 4.6 percent, widening 1990's price scissors between industrial and agricultural products by 7.4 percent compared to 1989. These two years marked the most significant widening of the price scissors in the seven times we have had price scissors since the founding of the PRC. It should be taken seriously.

(b) Because of the very large proportion of state-set prices, we cannot adjust prices promptly to balance supply and demand in the market, and as a result, agricultural prices are out of line. This is seen particularly in the following areas: One, the internal price parities among different agricultural products are unreasonable: The magnitude of increase in the prices of grain, cotton, and oil cannot keep abreast of the increase in other cash crop prices, and grain, cotton, and oil prices are too low relative to other products, and the agricultural price system which centers around the price of grain is once again very chaotic, and the internal price relations among various agricultural products are way out of line. Second, there is little quality-based price difference among the agricultural products, and the nominal difference cannot function to encourage the production of better quality products to meet the consumption demands of the urban and rural population as they make the transition from just being fed and clothed to becoming relatively well-off.

(c) The prices of capital goods have not been sorted out nor put on a benign circulation track: One, the profit to

capital ratio of basic industries and infrastructure is too low and is still falling. During the 1979-1989 period, the mining and excavation industry funds fell from 15.4 percent to -1.04 percent and that of the raw materials industry fell from 17.2 percent to 9.22 percent. In 1990 and 1991 their profit to capital ratio continued to fall. Two, many of the important planned energy resources and raw materials whose prices are centrally set by the state are losing money; the entire coal and crude oil industries are losing money. Although coal prices were readjusted many times and its 1990 composite price was 1.75 times higher than that in 1978, centrally allocated coal still lost as much as 5.82 billion yuan. Because China's major oil fields have reached mid- to late-term exploitation, conditions are increasingly difficult and the cost of oil recovery is skyrocketing. In 1987 the entire planned crude production lost money, and in recent years, despite the continuous raising of crude prices, in 1990, the oil industry still lost as much as 6 billion yuan. Three, the unreasonable price parities cause the mining and excavation industry to lose money while the processing industry makes a large profit. The unreasonable price relations not only block the development of basic industries but also undermine the healthy development of the processing industry, causing structural imbalance among industries and improper resource allocation.

(d) Communications and transportation prices are out of line: One, the overall price level of transportation is too low and is much lower than the rate of increase in the nation's retail price level. From 1955 to 1989, the nation's retail price level rose 131.3 percent while rail transport price (based on March 1990 prices) rose 63 percent. If converted using the retail price index as base, the price of rail transport has fallen 29.5 percent, and if we compare the posted prices for highway cargo (1990 third quarter prices) and passenger transport by car to their 1956 levels, using the retail price index as base, transport prices have fallen 47 percent and 42.3 percent, respectively. Two, the relative prices among railway, highway, and waterway transport and the internal price parities of different modes of transportation are unreasonable, leading to redundant, back and forth, and circuitous shipping and wasted transport capability.

4. The management of decontrolled prices urgently needs to be strengthened. After more than a decade of price reform, about one-half of China's products are using market prices. According to the State Administration of Commodity Prices' figures, 52.2 percent of all agricultural products procured are at market-regulated prices; among all retail sales in society, 50 percent are at market-regulated prices; among the factory-exit prices of all capital goods, more than 50 percent are market-regulated. Looking at the trend of development, the scope of state-set prices will further shrink and the proportion of market-regulated prices will continue to expand. Market-regulated prices have become an important factor affecting the overall price level. From today's standpoint, we still do not have a system that can effect indirect macroeconomic regulation and control over

prices, and if market prices should surge or plunge suddenly, we can only rely on administrative means for regulation, control, and intervention. For example, we may require some market-regulated products to submit price-increase applications, or we can set national maximum prices for some important extra-plan capital goods or even put some scarce capital goods under specialized management. How to utilize economic, administrative, and legal means and set up a macroeconomic regulation and control system to keep the decontrolled prices in line is an important topic in price management which urgently needs to be tackled.

## II. Focal Points in 1990's Price Reform and the Principle We Should Abide By

The "10-Year National Economic and Social Development Program" and Eighth Five-Year Plan' clearly stated that we must "further perfect the pricing mechanisms behind the state's mandatory and guidance prices, standardize the pricing behavior in market-regulated prices, and perfect the price management system. While controlling the overall price level, we should actively but steadily promote price reform and further smooth out the price relations. We should also develop pricing mechanisms and a price management system which allows the state to manage the prices of a handful of important commodities and labor and services while allowing most commodities and labor prices to be regulated by the market." In other words, in the 1990's, to meet the needs of the development of the socialist market economy, we must gradually develop the pricing mechanisms and a price management system which integrates planning and the market but lets market regulations dominate; which integrates enterprise-set prices and state-set prices but lets enterprise-set prices dominate; which integrates the government's indirect regulation and control and direct interventions but lets indirect regulation and control dominate. To achieve these, we should focus on the following tasks:

### 1. While sustaining a fairly high rate of economic growth, we must prevent the occurrence of vicious inflation:

Looking at the social environment since the end of rectification and improvement, objectively, we have the proper conditions to facilitate accelerated economic growth, there have been loud clamors for speeding up the rate of development, and today, we are accelerating the economic growth. According to the State Statistics Bureau's analysis and forecast based on the current trend of development and the accompanying social environment, assuming that we can maintain our import-export trade surplus and that our newly added stockpile is reasonable, the higher the rate of economic development, the greater the increase in industrial production, fixed asset investments, loan volume, and prices. In the future, the primary macroeconomic regulation and control task will be to maintain a fairly high rate of economic growth while preventing the occurrence of vicious inflation and striving to keep the price level relatively stable, because these are the inherent requirements and

preconditions for maintaining normal operation in the national economy. Only in this way can the market mechanisms bring their regulatory functions into play, only then can we guarantee competition under equal conditions, only then can we give expression to individual product price change and reflect the scarcity of certain resources and in turn regulate supply and demand and achieve optimal allocation of resource; only then can we give play to money's role in the economy and entice people to save and invest; only then can we avoid letting a handful of people take advantage of the improper pricing system to fatten themselves; only then can we enhance the competitiveness of our commodities in the international market and promote foreign trade development and balance foreign exchange payments. In order to prevent the occurrence of vicious inflation and strive to keep the price level relatively stable as we accelerate economic growth, we must work hard on the following:

(a) Maintain basic supply-demand equilibrium in society: The main cause of higher prices and inflation is supply-demand disequilibrium in society. Thus, to ensure overall price stability, we must maintain basic supply-demand equilibrium in society. Looking at China's current situation, to control society's total demand, we must start with the following: One, we must control the rate of increase in the money supply and keep the increase in the money supply in line with the rate of economic growth. Today, this means mainly controlling the rate of increase in  $M_0$ , but in the future, we must also control the rates of increase in  $M_1$  and  $M_2$ . Two, we must prevent the economy from overheating and keep the rate of economic growth reasonable. Three, we must control the scope of fixed asset investment and keep the scale of construction within the state's financial and material means. Four, we should keep the consumption funds from increasing too fast and keep the increase in average wage within the limits of the increase in labor productivity rate.

(b) Make skillful use of the interest rate policy to control price increases: Experiences here and abroad prove that skillful use of interest policy is an effective means to control prices. When prices begin to fluctuate, we can raise the interest rate. This not only will entice more people to save but will also effectively curb the increase in the money supply and in turn control total demand and achieve our goal of stabilizing prices. We should, however, be aware of the fact that after prices are effectively put under control, we should promptly lower the interest rate to promote investments and economic growth.

(c) Adopt active countermeasures to curb inflation and slowly ease the pressure of potential inflation: First, we should accelerate the pace of reform of the housing and social security systems. Reform of the housing system should strive for substantive progress in raising rent, making home sales, raising capital to build new homes, establishing a housing fund and a housing fund gathering system, and the development of a real estate market and

so on. Reform of the social security system, especially in the area of unemployment, retirement insurance, and the medicare system, should be accelerated. Only by doing so can we divert some of the consumer goods purchasing power and at the same time entice people to save. Second, by issuing stocks and bonds, we can convert some of the savings into construction funds. We must improve the relevant fund gathering rules and regulations and put society's fund gathering activities onto the standardize and legalize tracks. At the same time, we should increase the share of state-gathered funds and issue more treasury bonds and bonds to finance key construction projects and do a good job with the pilot projects dealing with stocks, so that we can guide society's funds to key projects to facilitate the economy's coordinated development.

(d) Develop and perfect a price regulation fund system to enhance our ability to regulate prices: Currently, nationwide, many localities have developed their own price regulation fund systems, and they have worked well in curbing market price increases and promoting stability. However, a similar price regulation fund system has not yet been set up at the central level, and in the future when we adjust planned prices, we should set aside a portion of the price increase for the price regulation fund and put it under the central authorities' control to be used to curb any sudden price increase and to enhance our ability to regulate and control prices.

(e) Continue to perfect and strengthen our target control with respect to the price indexes: Besides continuing to perfect the existing target control responsibility system in the provinces, prefectures (cities), and counties, we should also step up control over the price indexes of major trades and industries. In this respect, France's experience is worth looking into. France began to implement price control by setting targets in 1982. In general, they use the overall price index of the previous year as basis for determining the overall price index and the price indexes for various trades and industries in the new year, and they also take into consideration various economic factors and consult and negotiate with various trades and industries or enterprises and sign agreements are signed with them, making all parties responsible for achieving the goal. Overall, because market supply and demand are more or less balanced and most trades and industries honor the agreement regarding the price indexes, the system has played a positive role in promoting economic development and social stability.

(f) Set up and perfect the system of gathering statistics on price indexes and improve information gathering, forecast, monitoring, and analysis, so that we have better bases for determining the direction and magnitude of price regulation and control: In recent years, China has made good progress in gathering statistics on prices, but we are still far from meeting the needs of our price management work. In the future, with respect to price statistics, we must concentrate on investment price index, import commodity price index, export commodity purchase price index, construction price index,

and other classified price indexes as well as statistics on the retail price indexes at different consumption levels. We must work harder on gathering price information and on price forecast, monitoring, and analysis and get prompt and accurate market price trends nationwide, so that we can do a better job managing prices and determining the direction and magnitude of price regulation and control.

(g) Perfect the market system, promote market development and construction, and develop a reserve system for key commodities: Perfecting the market system and promoting market development and construction are important conditions if we want to strengthen macroeconomic regulation and control and properly organize commodity circulation. From today's standpoint, we not only should develop market for consumer goods and capital goods but also develop fund market, technologies market, labor market, real estate market. We not only should develop and establish spot markets but in order to meet the needs of the development of the market economy, we should gradually strengthen the development of forward exchange market and futures market. As we develop different kinds of markets, we should also set up a reserve system for key commodities, and by putting goods into and taking them out of circulation, we can regulate supply and demand and keep market prices from rising.

## 2. We should smooth out price relations and readjust the pricing structure.

We should smooth price relations and actively promote the readjustment of the pricing structure, and in particular, we must solve the pricing problems with respect to agricultural products, energy products, and rail transport, and we should maintain proper price relations between industrial and agricultural products and among different agricultural products and different industrial products.

(a) Agricultural product prices: As we work on setting up wholesale grain markets, formulating a state-run grain reserve system, and enhancing our ability to effect macroeconomic regulation and control over the grain market, we should gradually decontrol grain procurement and sale prices. At the same time, after strengthening the state's planned guidance, we should decontrol the prices of cash crops and other agricultural products. We should put the agricultural goods producers and consumers in the market and try to maintain reasonable price relations as market supply and demand change.

(b) Energy prices: With respect to coal prices, we should gradually raise the mandatory price of coal to the current guidance price level by the end of the Eighth Five-Year Plan period. At the same time, we should lift control over the price of coal from dwindling and old mines and wells and from new wells which have not yet reached their designed capacities, and we should decontrol guidance-type coal prices. With respect to petroleum prices, we should raise the factory-exit price of parity-price

crude to the level of high-priced crude during the Eighth Five-Year Plan period bring them step by step closer to the international price level during the Ninth Five-Year Plan period. At the same time, we should readjust the price relations among different types of refined oils. With respect to the price of electricity, the higher price of coal and transportation will raise the cost of generating electricity, and while enterprises should absorb part of the higher cost, we should also raise the price of electricity accordingly and at the same time straighten out the prices and restore order to the current chaotic pricing situation and adopt a composite price for electricity.

(c) Communications and transportation prices: We should continue to raise the price of rail and other means of transportation, and the income generated by the higher prices should be used mainly on railroad construction and on strengthening the rail industry's ability to develop on its own. At the same time, we should sort out the price relations among different modes of land, water, and air transportation and within the same mode of transportation to promote comprehensive increase in transport capability.

(d) We should seize the opportunity to deal with the double-track pricing system: In the last two years, the planned price of major means of production has risen fairly substantially while the extra-plan price has remained stable and even fallen somewhat; the difference between planned and extra-plan prices as further narrowed. In the first quarter of this year, the price differential per ton of steel was 156 yuan, which narrowed the price gap from 14.2 percent in the same period a year earlier to 7.5 percent; the price differential for coal was 51 yuan a ton, which narrowed the price gap from 48.4 percent to 36.4 percent; the price differential for copper was 1,147 yuan, which narrowed the price gap from 10.8 percent to 7 percent; the price differential per cu m of raw timber was 199 yuan, which narrowed the price gap from 34.4 percent to 30.7 percent. But the planned and extra-planned prices of soda ash and rubber were still inverted, and their national average prices per ton were 40 yuan and 31 yuan, respectively, higher than their market prices. We should seize the opportunity before us to promote the merging of the double-track prices. Product prices which can be merged should be merged, and those which cannot be merged at this time should have their planned prices readjusted to narrow the difference and create the conditions for merging the two track later on.

### 3. We should accelerate the change in the pricing mechanisms.

(a) Defining the scope of state-managed prices properly: In order to define the scope of state-managed prices, we must start out from this country's real situation and learn from the experiences and conventional practices of nations that have a market economy. If we look at the state price management practices in the United States, Germany, and France and other major Western nations,

state-regulated prices and state-intervened prices generally make up 20-40 percent of the people's total consumption expenditure. The state's price management scope is mainly in the following areas: Public utility industries which tend to be naturally monopolistic, including civil aviation, railroad, public transportation, and postal services; state monopolized products such as tobacco and liquor, energy resources, including coal, electricity, and gas; social insurance and various fees; rent and agricultural products. Currently about 55 percent of China's total retail sales are using state-set prices or state-guidance prices. This is clearly a large percentage. Considering the need to change China's pricing mechanisms, we should gradually develop pricing mechanisms and a management system which integrates planning and the market but is dominated by market regulations; which integrates enterprise-set prices and government-set prices but is dominated by enterprise-set prices; which integrates indirect and direct state regulation and control but is dominated by indirect regulation and control. It is our opinion that the proportion of state-managed prices should be further reduced to between 30-40 percent and that in the future the state should mainly administer the following prices and fees: One, industries and products that are natural monopolies, including those that are operation-based monopolies (such as railroad, civil aviation, and post and telecommunications) and resource-based monopolies (such as crude oil, natural gas, power, centrally allocated coal, and important and rare minerals). Two, large facilities and specialized raw materials needed by the state's key constructions, such as power plants, locomotives, and large ships. Three, military goods. Four, goods essential to the people's livelihood, such as grain, cotton, table salt, medicine, and some Chinese medicines. Five, administrative fees collected by the central authorities and other important fees.

(b) Perfecting the pricing mechanisms: With respect to state-managed prices, we want to be guided by state policies and take into consideration market supply and demand and the cost situation and make adjustments in a planned and skillful way. With respect to the state-set price of important basic products, we should gradually develop a system of checking and regulating prices regularly to make state-set prices more scientific, to be taken seriously. With respect to commodities that adopt the state's guidance prices, we should use the proper pricing methods, set base prices, limit the differential rate, and set price limits and so on to make prices stable and yet flexible.

(c) Strengthening the monitoring and regulation and control of the decontrolled prices: We should use comprehensive economic, administrative, and legal measures to strengthen the monitoring and regulation and control of commodities whose prices are decontrolled. One, all industrial departments should strengthen indirect management of product prices and provide effective regulation and guidance to balance supply and demand and maintain basic price stability. Two, we should

develop and perfect different types of policies and laws and regulations to encourage market competition and prevent monopolistic behaviors and protect the legal rights of the consumers. With respect to the excess profit in certain trades and industries and certain products after prices have been decontrolled, we should use anti-trust laws and laws against exorbitant profits as means of limitation and restraint. Three, we should gradually develop and perfect secondary price regulation and control systems at the central, provincial, autonomous regional, and municipal levels. Four, we should strengthen planned guidance. The state should regularly check the production and market demand for products already decontrolled and use the format of economic planning to forecast the supply-demand development, so as to reduce irresponsible production and price fluctuations. Five, we should adopt the management method of monitoring and checking the cost of production and the sale prices of decontrolled commodities to prevent enterprises from using the higher price of raw materials and energy and other primary goods as excuse to raise product prices and reap exorbitant profits. Six, we should skillfully limit the magnitude of price fluctuations by setting price ceilings and lowest protective prices and so on to keep price fluctuations within a reasonable range. Seven, we should develop a reserve system for important commodities and take products into or out of circulation as a means to regulate supply and demand and curb price fluctuations. Eight, we should check and monitor prices closely and severely punish all violations of price management regulations and activities that infringe upon the consumer's interests.

#### 4. We should expand the scope of work that deals with prices

(a) Work that deals with product prices should not be confined simply to price adjustments and controlling the overall price level. It should be integrated with the development of the national economy and the restructuring of the economic system. The 1990's will mark an important period in China's economic development. During this period, we not only must realize the strategic goal of "quadrupling the GNP" but must seize the opportunity here and abroad and strive to put China's economy onto a higher plane once every few years. At the same time, the 1990's will also be crucial as China's economy changes track and emerges from a socialist planned commodity economy into a socialist market economy. The market mechanisms will play an increasingly larger role in the national economy. To meet these needs, work that deals with product prices must be integrated with the national economic development and the restructuring of the economic system in order to play to its important role in promoting the readjustment of the industrial structure, in promoting economic growth, in developing the market system, and in promoting the change in state-run enterprises' operating mechanisms.

(b) The price administration departments must take an active part in important macroeconomic decision-making activities pertaining to planning, finance, credit,

exchange rates, and wages. In addition, they should propose the goal for controlling the overall price level and plans for readjusting the price structure. At the same time, we should coordinate the relationship among the planning, financial, banking, taxation, commercial, materials and other departments. Their policy measures, such as wage, interest rate, taxation, exchange rate adjustments which affect the overall price level and the price structure, should be included in the same basket as prices and planned accordingly, to make sure that we can achieve the goal of controlling the overall price level and readjust the price structure successfully.

(c) We should strengthen the management of real estate prices. Currently, the real estate market is undergoing rapid development, and the departments in charge of commodity prices should seize the opportunity and work in coordination with the housing reform and reform of the land-use system to formulate commercial housing price standards, set reasonable rent for public housing, reassess the value of old real estate, and gradually develop a real estate price management system which includes assessing real estate value, setting prices, and monitoring the market and so on.

(d) We should strengthen the management of various service charges. In the wake of the rapid development of China's tertiary industry, the management of various service charges has become increasingly hectic. From today's standpoint, we should continue to sort out and consolidate various administrative-type charges and perfect the method of management using "Fee Collection Permits for Administrative-type Undertakings." At the same time, we should strengthen the management of business-oriented fees, formulate correct fee-collection policies, perfect the relevant management methods, gradually implement a system of qualification evaluation and confirmation pertaining to business-oriented fees, and adopt the method of controlling the gross profit rate and regularly reassessing the amount of fees that can be charged and so on. We should effect the necessary monitoring and guidance to rectify arbitrary charges and raising of fees, so as to safeguard the consumers' interests.

(e) We should work harder to provide pricing information and consultation to assist government departments at all levels in their decision-making and to serve enterprise management and the consumers. Today we should start with the following: One, we should improve the price information network and develop new sources of information. Two, we should set up pricing offices and gradually provide pricing consultation, arbitration, asset evaluation, and other services. Three, we should improve the quality of pricing information and provide more timely, accurate, and practical information.

## AGRICULTURE

### New Emphasis on Protecting Cultivated Land

93CE0183E Beijing NONGMIN RIBAO in Chinese  
23 Nov 92 p 1

[Article by reporter Long Bing (7893 0365): "State Council Issues Circular Notice Requiring Strict Halt To Arbitrary Takeovers and Misuse of Cultivated Land"]

[Text] A few days ago the State Council issued a circular notice requiring a strict halt to arbitrary takeovers and misuse of cultivated land in all jurisdictions.

The notice said that promulgation by the CPC Central Committee and the State Council of *Circular Notice on Improve Control of Land To Halt Arbitrary Takeovers of Cultivated Land and the People's Republic of China Land Control Law*, brought under control a trend toward sharp decline in the country's cultivated land area. However, in recent years, arbitrary takeovers and misuse of cultivate land, as well as use of land and approval of land use in violation of the law have appeared again. Takeover of some cultivated land is unavoidable as the economy develops, but arbitrary takeover and misuse of land must be resolutely halted; otherwise, development of agriculture is bound to be adversely affected, and healthy development of the national economy restrained in consequence. Better land control, and a resolute halt to arbitrary takeover and misuse of land is required.

The notice pointed out that a determined halt to takeover and misuse of cultivated land requires more propaganda as a first step in raising consciousness about the need to protect cultivated land.

The notice said that all prefectures and all government departments must strictly enforce various laws, regulations and policy documents including the *Land Control Law*, *People's Republic of China Interim Regulations on City and Town Sale and Transfer of State-Owned Land Use Rights*, and *State Council Circular Notice on Limits on the Right To Approve Sale of State-Owned Land Use Rights*. Laws and regulations that local jurisdictions have drawn up that are not consistent with the *Land Control Law* are to be revised. Local people's governments at all levels may not exceed their authority on land approvals, nor may they delegate their examination and approval authority level by level. If they do so, responsibility must be fixed according to law on those involved and the leaders concerned. Government leaders in all jurisdictions are to adhere to collective discussion of land examination and approvals, a single person signing off and the land control office handling procedures. Land control offices at all levels must improve operating efficiency and simplify land examination and approval procedures. When land control units discover use of land in violation of the law, they are to file a report and halt such use at once. Local governments at all levels must conduct determined investigations of those responsible for the use of land in violation of the law and deal with them according to law.

The notice says that control over all kinds of development zone examination, approvals, and construction must be improved. The development of economic, scientific and technical, and industrial development zones must be fully authenticated before a request for examination and approval is made to the State Council, or to the people's government in a province, autonomous region, or directly administered municipality. Townships and towns may not establish development zones. Building of a development zone must be in accordance with the state master plan for socio-economic development, and must be fully authenticated and uniformly planned in conjunction with local land use plans and urban construction plans. Development zones currently under construction that have not followed the foregoing examination and approval procedures must complete supplementary examination and approval procedures. Development zones divorced from reality in being either too numerous or covering too large an area must be merged or consolidated. Genuine improvement of land resources control requires that development zones be prohibited from taking over more land than they use or taking over land but not using it, strict control exercised over takeovers of high yield farmland and vegetable land, and all possible done to use wasteland, barren flats, and fallow land. Agricultural and land control units should take part in development zone early stage tasks such as site selection and feasibility studies, adhering to the principle of allowing development of only worthwhile projects, and approving land according to project.

The notice said that equal emphasis must be given to resources control and assets control in further regularization of the real estate market. The real estate market is an important, integral part of the market system; it plays an important attendant role in the rational use of land resources. Therefore, all jurisdictions must be sure to summarize experiences for gradual regularization of the real estate market. Governments at all levels must examine and approve land use according to law. In using land for construction, government is to plan, requisition, develop, sell, and control centrally. Full use must be made of the guiding role of urban plans, and the regulatory and controlling role of land supply plans. Legal, economic, and administrative methods are to be used in regulating supply and demand for land for the building of a regularized real estate market. At the same time diligent straightening out of the spontaneous land exchange market (also termed the invisible market) must be continued. The principle of equal emphasis on resources control and assets control must be adhered to in order to prevent waste of land resources and arbitrary takeovers and misuse of cultivated land. The problem of how collective land gets into the market must be studied, the collective land use system perfected in law. All income received for cultivated land taken over for construction, no matter whether through transfer or sale, is to be used for agriculture.

**Pesticide Output Second Only to United States**

93CE0183B Beijing NONGMIN RIBAO in Chinese  
11 Nov 92 p 1

[Article from News Department, Ministry of Chemical Industry: "China Ranks Second in World Output of Agricultural Pesticides"]

[Text] Since the beginning of reform and opening to the outside world, China's agricultural pesticide industry has developed rapidly making a major contribution to bumper harvests year after year. End of the year statistics for 1991 show a nearly doubling since 1980 of China's agricultural pesticide production capability, actual output reaching 250,000 tons in a 1.8 fold increase. Today, China ranks only to the United States in agricultural pesticide output.

Simultaneous with the steady increase in China's agricultural pesticide output has been a fundamental change in the product mix. During the early 1980's, 90 percent of total agricultural pesticide output was insecticides, herbicides; bactericides accounted for only approximately 3 percent. Ten years later, not only do herbicides and bactericides account for approximately 15 percent of all pesticide output, but the kinds of agricultural pesticides have increased from approximately 60 in 1980 to 156. This is virtually a 2.5 fold increase since the beginning of reform and opening to the outside world. It is particularly noteworthy that more than 96 percent of these pesticides are of the high effectiveness, low toxicity, and low residual effect kinds. During the beginning of reform and opening to the outside world, however, output of highly toxic, highly residual pesticides such as BHC [benzene hexachloride] and DDT accounted for more than half of total agricultural pesticide output.

Accompanying the speedy increase in both output and kinds of agricultural pesticides has been a tremendous rise in the quality of agricultural pesticides during the past several years. During previous product quality evaluation campaigns, 40 percent of all agricultural pesticides received a premium or better commendation.

*During the early 1980's, China still had to import agricultural pesticides to satisfy domestic needs. Today, not only does domestic output of agricultural pesticides completely satisfy domestic demand but some pesticides such as rogor, lindane, chloropicrin, and carbendaxol are also sold in distant parts of the world. In 1991, China exported 30,000 tons of pesticides earning \$90 million yuan in foreign exchange.*

**Stable Markets, Prices Needed for Farm Products**

93CE0183D Beijing NONGMIN RIBAO in Chinese  
5 Nov 92 p 1

[Article by correspondent Sun Luwei (1327 7627 1218): "How To Get Agricultural Products Into Markets"]

[Text] "Do more to move agricultural products into markets is the first article of *State Council Decisions on*

*the Development of High Yield, Premium Quality, High Efficiency Agriculture.* Doing more to move agricultural products into markets is a basic dynamic in the development of high yield, premium quality, high efficiency agriculture. But how can more be done to move agricultural products into markets? What are the problems most in need of solution today? The correspondent interviewed some provincial and county supply and marketing departments and county magistrates for answers to these questions.

**Producers Must Understand the Need for a Change in the Agricultural Product Mix**

The peasants have learned a truth from the great debate about difficulties buying and selling agricultural products: Don't plant whatever the government wants you to plant. This is because once you grow it, you are bound to face difficulties selling it. Today when agricultural products have been virtually completely decontrolled, certainly the varieties and breeds of agricultural products to be grown must be carefully considered in order to guide producers in keeping up with the market, and to readjust the industrial structure and the kinds of continuously grown products. Comrades in Jiangxi said that early indica rice used to sell well, but the market for grains other than rice and wheat was not very large. Today, however, exactly the reverse is true. Formerly 10 jin of sweet potatoes equaled 1 jin of paddy, but now 1 jin of sweet potatoes trades for 1 jin of paddy. The agricultural by-products markets has changed from a sellers market to a buyers market. Providing premium quality, uncontaminated, multiple varieties of agricultural by-products is a new goal that producers strive for.

When grain is decontrolled in Zhejiang Province in 1993, what should be grown? The peasants do not have the foggiest idea. The deputy mayor of Xiaoshan City, Zhu Yanchuan said that under the plan economy when returns were small, people wished for decontrol, but once decontrol occurs, no one will know what to do. The peasants hope that someone will provide them information. What the markets want is easy to talk about in theory, but very difficult to do in practice. In order for the peasants to follow the market rather than their feelings, a guide is needed that can link peasant households and markets.

Sichuan Province is a national citrus-growing region. In recent years, citrus growing has developed greatly in Sichuan Province, output increasing from 200,000 tons to more than 1 million tons. Meanwhile in north, northeast, and northwest China—the main areas where Sichuan citrus fruit is marketed—a diversification in the kinds and varieties of fruit grown there has also taken place in recent years. In addition, red varieties of oranges from Sichuan have degenerated, their acidity increasing, and oranges from Guangdong and Guangxi provinces are putting the squeeze on them, so Sichuan oranges are finding it difficult to establish a market. Therefore, Sichuan peasants realize the need to readjust the product mix and develop premium varieties. The kumquats,

early ripening honey oranges, and the summer oranges now being developed will be new generation weapons for Sichuan to use in reopening the citrus market.

In addition, multiple processing can increase product use value and expand markets. Peanuts do not sell well, but peanut oil does; and beans do not sell well, but bean cake does.

#### **Funds Shortage Making Storage and Regulation Difficult, Peasant Difficulties in Selling Consequently Difficult To Solve**

The issuance of IOU's is a major "innovation" in China's rural economy. Tianmen City in Hubei Province, a major cotton producing area, always issues IOU's to the peasants for their cotton harvest. It has money for development and construction, and for this and that, but it does not have money to purchase the cotton harvest. In Anhui Province, Yang Shaojie of the Jieshou City government says that his locale issued IOU's for grain this year, and that it will also issue IOU's for the autumn harvest. It does not have money to buy grain, cotton, and tobacco. It has only 7 million of the 40 million yuan needed. It began to make "non-cash settlements" in September 1992, issuing receipts for deposit in banks. The banks do not want them. Agricultural by-products have been harvested but cannot be sold because the banks do not want to issue loans. The Anhui Province Cotton and Hemp Company has money for 1.8 million dan of cotton, 570 million yuan of which has not been recovered, and now a new cotton crop has come to market. Jiangxi Province owes 260 million yuan for the procurement of cotton in 1991, which had still not been paid when the new cotton crop came to market. Supply and marketing cooperatives are paying tens of million yuan in interest each year.

#### **Commodities Do Not Circulate Well, Making a Comfortably Well-Off Standard of Living Impossible To Attain; Flow of Agricultural By-Products Impossible Without Required Wherewithal**

Procurement and marketing units wrack their brains for a solution to transportation problems. Production in one place and marketing in many places is the main feature of agricultural production. The inland provinces of Sichuan, Yunnan, Jiangxi, and Gansu all report that transportation is one of the greatest factors limiting the movement of their agricultural products to markets. Although reaching Sichuan is still somewhat easier than reaching paradise, the railroad network that was built there during the 1950's and 1960's is far from able to satisfy the needs of today's commodity economy. When the fall-harvested crops, fruits, vegetables, and hogs are ready for market after September, the fight for transportation is fierce. Sichuan sells most of its products in northwest, north, and northeast China—the nearest destination lying between 1,000 and 2,000 kilometers away, and many destinations lying between 3,000 and 4,000 kilometers distant. Some produce has to be shipped fast and some has to be kept at a constant temperature, but

this cannot be done. The railroad transportation shortage in Jiangxi Province is extremely severe. It takes 600 to 700 yuan to buy a freight car. Some grain that could be shipped out of the province for sale is not shipped out because of the cost of a freight car plus an additional 1,000 yuan expenses.

Yunnan's railroads transport 9 million tons outside the province each year, but the province has 15 million tons of freight to be shipped. Thus, 6 million tons cannot be accommodated. The provincial government has no ochoice but to let high value goods go first, putting farm products last in the queue. Production of many agricultural by-products in Yunnan today has to be decided on the basis of transportation.

Grain from Jilin Province finds a ready market, but finding transportation is difficult. Gansu Province has a single railroad line running east to west, but when the melon season comes, the melons rot before one's eyes. These are bailan melons and Huang He honey melons that have been developed from them. They are the hope of many impoverished counties for escaping poverty. Air freight costs are high, but if shipped by train, the melons are rotten by the time they reach Shenzhen. One person concerned believes that unless this problem is solved peasant income will not be stable.

One malignancy afflicting transportation arteries is the setting up of checkpoints for the arbitrary collection of fees. Li Wenpin, deputy magistrate of Chimen County in Anhui Province, complains that getting products out of mountain regions is difficult. Qimen County is a mountain region in Anhui Province whose main products are timber and tea. Getting timber out of the mountains requires payment of a product tax, a business tax, a special products tax, and an industrial and commercial control fee. After all taxes and fees are paid in the county, every jurisdiction along the way finds some pretext for levying fines or collecting fees. The county forest farm provided a Xiamen bicycle plant with a freight car load of lumber for shipping containers, but shipping the lumber 100 kilometers through Jiangxi required six days and payment of more than 2,000 yuan in fines.

In vast rural villages where railroad transportation is in short supply or railroads do not exist, motor vehicles are the main source of transportation, but highway checkpoints are an obstacle limiting the small-scale circulation of agricultural products over a large area. If small-scale shipments are difficult, large scale ones are impossible. Shipment of agricultural products cannot be a hurdle race; it has to be short, level, and speedy.

The building of wholesale markets is also a key link in the circulation of agricultural products. Some fund-starved provinces such as Gansu, Yunnan, and Jiangxi have yet to build medium and high class wholesale markets. This is also a problem that must be solved with all possible speed.

### Need to Inculcate a Market Sense in Governments and Peasants For the Building of a New Market Order

In order to ensure that farm products can enter markets instead of being cast aside to rot, a complete market order must be built. Japan wrestled with this problem for 9 years; possibly we will take even longer. But the job must be done from the very beginning. The greatest difficulty is getting an understanding of the market into government and the peasants as well as a clear understanding of the way they regulate and control production and markets.

Just how government departments can both abide by economic laws and also protect the rights and interests of the peasants poses a dilemma. A county magistrate said that if you sign a contract, you must purchase. But the supply and marketing people say that the marketing area operates according to market laws while the production area has government protected prices, so the middlemen cannot make a profit. As a result, they oppose protected prices as not consistent with a market economy.

Increasing the peasant's understanding of commodities and market risks is an urgent task of the moment. Peasants in inland provinces, in particular, must be guided through this process with all possible speed. Peasants should be paid according to what they grow. The time when peasants do not bear economic responsibility will become a thing of the past. In a market economy, peasants will have to rely on the market, not on government. Minqin County in Gansu Province produces black melons in abundance that provide an income of 600 yuan per capita to the impoverished counties around the Tengger Desert. In 1991, panic buying of black melons swept the area, buyers from inside and outside the area coming in swarms. In 1992, the growing area was increased 40 percent, but no one came to buy. Because of carelessness and slapdash practices that caused a drop in quality during the panic buying of 1991, the buyers did not come in 1992. However, the county government did not take this opportunity to educate the peasants; instead, it blamed supply and marketing cooperatives for not accepting melons. Formerly the county government was long on advice and short on action; now neither its advice nor its actions are very useful.

### Prices May Not Be Protected, But Resources, Special Products, and Enthusiasm Have To Be Protected, and the Market Order Must Be Used To Protect Them

Xiaoshan in Zhejiang Province produces jute for which labor intensity is high but returns low. When grain prices are decontrolled during 1993, the peasants will switch from growing jute to growing grain. Once a shortage of this industrial raw materials occurs, interest in growing it can be rekindled only by raising prices, so the government had best not wait for a shortage before raising prices. Once some products that require a long production cycle take a pounding, it becomes difficult to bring them back. The accumulation in inventory of wool

in northeast and northwest China and the extreme pressures that coastal areas exert pound producers greatly.

Moving agricultural products toward the market requires the building of a stable market order; one cannot simply push products toward the market. Only when stable markets and basically stable prices exist can more be done to move agricultural products toward markets. Without this, growing whatever makes money will mean that whatever one grows is in oversupply. The state must exert macroeconomic regulation and control. Mindless decontrol is not scientific. Japan's agricultural association controls the import and export, as well as the amount of production and consumption of meat and vegetables throughout the country. It plans production through market guidance. China should build such a mechanism and organization. Government should do more work in this regard.

Following decontrol, with diversification and mutually conflicting rights and interests, another problem arises of decontrol and scale of decontrol. Sudden control produces countless loose ends and a sense of chaos. Everyone tries to find ways, and hopes that they will get through this anxious time as rapidly as possible.

### Chemical Fertilizer Makes New Advances

93CE0183C Beijing NONGMIN RIBAO in Chinese  
11 Nov 92 p 1

[Article from News Department, Ministry of Chemical Industry: "China's Chemical Fertilizer Industry Makes New Advances"]

[Text] During the past 14 years of reform and opening to the outside world, China's chemical fertilizer industry has scored major achievements in increasing output, altering the kinds of products produced, saving energy, and reducing consumption.

Chemical fertilizer output has increased manifold. In 1978, total chemical fertilizer output consisted of 42,198,800 tons of standard fertilizer. By 1991, output of chemical fertilizer totaled 97.605 million tons for second place in the world. This included first place in the world in output of nitrogenous fertilizer, and second place in the world in output of phosphate fertilizer. It made a major contribution to the support of agriculture.

With improvement in the kinds of fertilizer available, high concentration fertilizers, mixed fertilizers, and plant-specific fertilizers saw rapid development. Today, highly concentrated nitrogenous fertilizer—urea—accounts for 34.9 percent of all nitrogenous fertilizer. Since the 1970's, China has imported equipment to build 17 complete large urea projects. During the Seventh Five-Year Plan, China appropriated special credits for the transformation of nine medium-sized nitrogenous fertilizer plants and 70 small nitrogenous fertilizer plants into urea plants. Now 43 small urea plants have been built and gone into production. By the end of 1992,

China's urea production capacity will reach more than 16 million tons, half the country's nitrogenous fertilizer output in 1991.

In order to increase compound fertilizer output, since 1983 China has built a large ammonium superphosphate installation at the Shanxi Chemical Fertilizer Plant, and large phosphamidon installations in Nanjing, Dalian, Tongling, and Qinhuangdao. In more than 90 phosphate fertilizer plants, the new domestically developed slurry enrichment technology has been applied in the building of a number of small ammonium phosphate installations. As of the end of 1991, highly enriched phosphate fertilizer accounted for 7.9 percent of phosphate fertilizer output.

In addition, mixed fertilizers, trace element fertilizers, plant-specific fertilizers have also seen rapid development.

#### **Necessity of Farm Product Procurement Funds**

93CE0183A *Beijing NONGMIN RIBAO* in Chinese  
27 Nov 92 p 1

[Article by Zou Huien (6760 1920 1869) and Shi Jianwei (0670 1696 0251): "Free Money To Ensure Agricultural By-Products Procurement"]

[Text] During 1992 quite a few jurisdictions reported an increase in output and a rise in quality of agricultural by-products. However, because of the shortage of funds for agricultural by-products procurement, procurement has slowed. As of 10 November, the status of completion of procurement of the major agricultural by-products for which the state has fixed procurement quotas was as follows: grain, 54 percent; cotton 46 percent; and edible oil-bearing crops, 38 percent—all lower than the percentage for the same period in 1991. This is the busy season for agricultural by-product procurement. Ability to purchase promptly the already harvested agricultural by-products, particularly grain and cotton, has an extremely great bearing on ability to increase agricultural output and earnings from agriculture and to stir peasant interest in production, as well as on ensuring production next year, development of the economy, the flourishing of markets, maintenance of tranquility and unity, and intensification of reform and opening to the outside world. Governments at all levels must devote the same close attention to, and exercise the same firm control over the procurement of agricultural as they apply to agricultural production, make the funds available, and conscientiously manage the procurement of agricultural by-products.

Prominent problems at the present time are as follows: Some jurisdictions have not yet been able to apply at once the procurement funds that the state has provided; some jurisdictions have diverted them to other purposes, and some grain procurement units and supply and marketing cooperatives have reduced procurement, halted procurement, or issued IOU's for the procurement of grain and cotton for lack of funds. This state of affairs

must be reversed at once. Governments and departments concerned at all levels are to discharge their responsibilities, closely coordinate, and make very sure that funds provided for agricultural by-products procurement are used for that purpose.

Principal leading comrades at all levels of the Party and government are to take responsibility for using procurement funds as intended in their local jurisdictions. They must see that they reach and are used within the time period as agricultural by-products procurement fund plans already in being prescribe, and they must conduct regular inspections. Agricultural by-products procurement funds that are taken over, diverted to other purposes, or intercepted, and cotton procurement funds that textile mills delay paying to supply and marketing cooperatives are to be recovered within a fixed period of time for use in agricultural products procurement.

Reportedly, both the Chinese People's Bank and the Chinese Agricultural Bank have disbursed agricultural by-products procurement funds to local government, and national government financial subsidies have also been made available. The problem is mostly in individual jurisdictions. Therefore, the People's Bank and specialized banks at very level are to take responsibility for seeing that procurement funds from the finance and banking system are used for purposes intended. So long as payments from savings accounts can be assured, funds in banks in all jurisdictions and the scale to which they are used must be for the procurement of agricultural by-products first of all. They must improve funds allocation and coordination, charge additional interest and penalty interest, or even suspend credit, to local governments and enterprises that take possession of or divert procurement funds for capital construction. Financial departments (and bureaus) in all jurisdictions are to be responsible for seeing that government subsidy funds are applied to the intended purpose. Government financial units at all levels are to disburse a fixed amount of the current year grain enterprise subsidies to intended recipients. Whenever a new charge to an account results from local government failure to provide a subsidy it should provide, the finance unit at the next higher levels is to recover in full the subsidy funds and disburse them directly to the grain units concerned. State cotton storage plans for the current year are to be issued as early as possible, the People's Bank providing credit for all storage funds needed, and the Ministry of Finance bearing responsibility for interest and storage costs.

Commercial and grain units, as well as supply and marketing cooperatives are to be responsible for organizing the recapture of credit funds for continued use in procurement. Grain enterprises that run up accounts themselves must pay them out of their own funds. Supply and marketing cooperative units that buy and sell cotton must halt supplies of cotton to enterprises that are

in arrears on credit. If state cotton supply plans are not implemented within the prescribed period of time, units in the cotton business may sell their cotton elsewhere. On no account may new cotton supplies be sold on credit.

Party, government and units concerned at all levels must strictly institute responsibility systems in accordance with state regulations for genuine solution to the agricultural by-products procurement funds problem and prompt procurement of agricultural by-products.

**Worsening Phenomenon of Early Marriage in Rural Areas**

93CM0079B Hong Kong MING PAO in Chinese  
10 Nov 92 p 10

[Article by Hsiang Ch'i (3276 3823): "Social File—Eight-Year-Old Girl Marries Twenty-Year-Old Husband; Early Marriages Seriously Shock People"]

[Text] In recent years, the phenomenon of early marriage in rural areas of the mainland has become ever more serious, and the disastrous effects of this have shocked people.

An investigative report of the relevant department of Hunan Province reveals that in a survey of rural marriages of four poor regions of that province's Xinshao County the phenomenon of early marriage is alarming. In a survey of the 270 husbands and wives registering marriage in the last four years, 115 of the couples had one or both parties who had not reached the legal age for marriage when they married and 64 couples had one or both parties that still had not reached the legal age for marriage, making up 44 percent and 25.7 percent of the families surveyed, respectively. Of these, eight of the couples had someone who was engaged under 10 years of age and 146 couples had someone engaged between 12 and 16 years of age, and there were five child brides. Early marriage has shockingly disastrous effects on society.

The first [disastrous effect] is the new rapid increase in illiteracy. Not one of those involved in early marriage had junior middle school education or above. One hundred ten of the girls, 61 percent, were illiterate or semiliterate.

The second [disastrous effect] is that it does serious damage to the physical and mental health of the young girls. The vast majority of the girls who marry young suffer serious damage to their physical and mental health from taking on the burdens of child rearing and family too early and a great many of them have weakened bodies and multiple diseases and become old before their time.

The third [disastrous effect] is that unstable families lead to social instability. Early marriages are all by order of the parents and arranged by a matchmaker, and arranging the buying and selling of marriages leads to a dramatic increase in family disputes. Among early marriages, 82 couples, 45 percent, were emotionally incompatible after the marriage, 41 couples, 23 percent, had one or both parties seeking a divorce, and 15 couples already were divorced.

Of the girls in early marriages, besides the 44 that were not satisfied and escaped the marriage, some were abducted and sold in another region, some were vagrants, and some who did not have money to live on descended to prostitution. For example, a young girl Liu from Hengxi Village in Chezhi Township was promised

by her parents as wife to a certain Chen in Hengjiang Village. Liu would rather die than comply. Her parents threatened her again and again and would not permit her to return home. February of the year before last, Liu went to Guangzhou and descended to prostitution. Six months later, the public security department there took her in and sent her home. Her parents still forced her to marry and Liu again left and her location still is unclear.

Judicial department personnel from these four townships have revealed that in the last two years marriage and family dispute cases have exceeded 200, and what is more serious, they have been the direct cause of crimes. Violent confiscation of property, hostage taking, destruction of property, and even murder cases often occur there.

In Xinping Village in Xiaonan Township, 12-year-old Zhou was forced by her parents into an arranged marriage with Ai from Daishan Village in the same township. From the time that they were married, the two were emotionally incompatible. After Zhou had an extramarital affair, she conceived the evil idea of killing her husband. In April 1990, her adulterous companion tricked Ai into the mountains and killed him.

The fourth [disastrous effect] is that it forms a vicious circle of early marriage—early birth—excessive births—early marriage. Among those who marry early, the average age that they give birth is 19 and the earliest age that they have given birth is 16. There were 75 who gave birth before they reached the legal age for marriage, and nine of those gave birth to two or more babies. For those who marry early, not only is it hard to avoid giving birth early, but it also leads to the vicious circle of early marriage and early birth. For example a certain Zhou in Xiayuan Township got married at twelve years of age. After she got married, she gave birth to three daughters and a son. Because of the large number of people, they were poor and debts piled up. Not one of the four children went to school. Later to get by Zhou was forced to give her 12 year-old eldest daughter and eight year-old second daughter as wives to men over 20 to get the betrothal gifts and pay debts to live.

**Causes for Intensified Civil Disputes in Countryside**

93CM0079A Beijing FAZHI RIBAO in Chinese  
16 Nov 92 p 3

[Article by Ma Yujun (7456 3768 0193): "Working Research—Reflections on Some Civil Contradictions in the Countryside"]

[Excerpts] [Passage omitted] What are some of the main causes intensifying civil disputes? This reporter believes:

(I) Changes in rural production and management methods and clashes between new and old ethical and moral concepts are objective factors leading to intensification of some civil disputes.

Rural reform has caused rural production and management methods to adapt more to the development of productive forces, but there truly is a process of transformation from the centralized to the decentralized form. At the same time, because of the continuous intensification of reform and opening, various aspects of people's consciousness have changed rather greatly.

Reflecting the concepts on marriage and the family, women's position has continuously improved. Such old concepts as "being faithful to one's husband for life" have been thoroughly negated. Some nonstandard marriages have been dissolved, and although there is a certain progressive significance to this, a large increase in the divorce rate really brings some problems for social stability. In recent years, there have been numerous cases of people living together without marrying and getting pregnant out of wedlock. The rise in the divorce rate and casual sexual relations can easily give rise to disputes between families and related parties leading to major criminal cases.

With the changes in production and management methods, the amount of people's labor has generally gone down and rural leisure time has correspondingly increased. The present lack of regular rural recreational facilities causes a considerable portion of the people to concentrate their attention on gambling and the numerous contradictions that this produces.

Because rural production and management units are mainly families, in production, management, and related aspects, conflict and friction have objectively increased. In addition, with the development of the rural commodity economy, the function of money is becoming ever more prominent and some people forgetting their integrity in the face of personal gain is also a factor giving rise to major criminal cases.

(II) Lack of education and weak legal awareness are fundamental causes leading to an intensification of civil disputes.

In our investigation we became acutely aware that the people's ability to control themselves was greatly determined by their level of education and the strength of their legal awareness. The strength of legal awareness is also a factor limiting the subjective consciousness of the people concerned. Often when these people have their name slandered, or suffer personal insult or a bad debt, they cannot protect themselves with legal weapons and use "a tooth for a tooth," thereby leading to increased contradictions.

(III) Diminished concentration of grassroots administrative authority and weakened infrastructure operations also have been a major factor leading to criminal cases.

In the investigation we discovered that current infrastructure operations have three main problems:

1. Some town and township leaders do not take public security and people's mediation as seriously as they

should. For example, a certain town was evaluated as one of 100 outstanding townships and towns in Hebei Province, but the town's principal leading cadres lacked the necessary consciousness of public security and people's mediation to the point that they assigned administrative and legal secretaries to take charge of family planning and appointed judicial assistants to take charge of transplanting rice seedlings. In [a little] over a year, that town has had intensified civil disputes leading to four major criminal cases.

2. Grassroots public security and people's mediation organizations need to be strengthened. From the actual situation reflected by the investigation, present grassroots public security and people's mediation organizations in number and form only make up a network. Because they involve economic remuneration, the leadership of 95 percent or more of village public security committees and people's mediation committees is the concurrent responsibility of village heads, [party] secretaries, or militia company commanders. It would be very difficult for them to ensure that their main energies are concentrated on mediating and settling civil disputes.

3. There is the widespread problem that grassroots public security and people's mediation cadres "are not able to deal with, do not want to deal with, or do not dare to deal with" civil disputes.

Not being able to deal with [them] is certainly related to the lack of the necessary legal knowledge. For example, the leader of the people's mediation committee in a certain village of a certain county while still an old person in good health helped his sons and daughters divide up the inheritance; and the leader of the public security committee of a certain village and some rural cadres used a secret ballot to guess a "thief."

Not daring to and not wanting to deal with [civil disputes] is due in recent years to many cases of reprisals against grassroots cadres in rural areas. In addition, some cadres with no power to attack the criminal element, fearful of reprisals, simply push disputes up to a higher level and some disputes are not dealt with and resolved in a timely manner. In addition, presently grassroots public security and people's mediation work essentially wait for the disputes to come to them and the good operating procedure of "catching it early, catching it when it is small, and watching out for the first signs" is not implemented and popularized. [passage omitted]

#### Political Stability, Development During Modernization

93CM0003 Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 8, 15 Aug 92 pp 33-37

[Article by Zang Naikang (5258 0035 1660), Nantong Municipal Party School, Jiangsu Province]

[Text] Modernizing China is a process of vitalizing and developing society and politics. It is also a process of removing constantly arising unstable political factors. It

is necessary to have synchronized political stability and political development if modernization and reform are to be in the same or similar orbits, and if reform is to be furthered in all respects.

I.

Political stability is a synthetic concept with many meanings. It includes at least the following: Stability of a country's fundamental institutions; relative continuity and uniformity of a country's major policies; no fundamental conflicts or clear opposition among the interests of the masses; normal order to social life and public security; political bodies ensure government orders are carried out unimpeded, and feedback of political information is relatively prompt and correct; and most members of society have a rather high degree of political consciousness.

In a certain sense, political development is a process of political modernization. One measure of political development is the degree to which politics protects and is suited to the development of productivity. Political development requires that political action mechanisms can accept and channel contradictory and conflicting social interests, suited to modernization and controls and readjustments as key elements inherent in the political system change; the political system has mechanisms for restoring and perfecting political institutions; an equality to political life, and that the people are conscious of and participate in social and political life; and political development depends on the orbit of promoting democratization and legalization.

Reform is contemporary China's only way to liberate and develop productivity. It is also an important way to promote modernization. Thus, on the one hand, reform requires political stability and development. On the other hand, this process is associated with hidden or apparent unstable political factors which often impede or make political development out of control. In modernizing, almost all countries without exception have faced this dilemma of two difficult choices.

The reason China's modernization and reform are on the same or similar orbits is that the old institutions stifle the vitality and superiority of fundamentally socialist political and economic institutions, making it hard to support the cause of modernization. Reform has a dual mission: it must rid old institutions of abuses and promote modernization.

Progress to modernize China requires political stability. Until now, no country has yet completed modernization without political turmoil. China's reforms emerge out of a background of uncoordinated social development. Furthermore, reform itself is an adjustment to and revision of multiple political and economic institutions, social relationships and interests, and concepts. They give rise to various new conflicts and contradictions, bringing about many changeable factors and somewhat unstable phenomena. At the same time, reform is a new way to develop what is useful and discard what is not in the old

traditional institutions. It is a process of seeking new institutions. Under conditions of political unrest, reform lacks the suitable political atmosphere. This threatens the progress of modernization by errors or recreating old institutions.

Modernization must be suited to political development. Modernization is not merely an economic concept; political modernization is an important part of it. China's modernization is based on the socialist system of ownership in the process of developing a planned commodity economy. The socialist commodity economy is closely related to democratic politics; they are different layers of the same social mechanism. Development of the commodity economy naturally requires democratic politics. Establishment of the ownership system gets rid of sources of economic inequality, realizing democratic politics for the first time in its true sense. China's socialist political development takes democratic politics as a goal. Therefore, modernization requires political development centered around democratic politics, and not political reform via political development. Old political institutions can become impediments to modernization and bring about deformed modernization.

II.

In the course of modernizing China, what contradictions might affect political stability and restrict political development?

**1. Contradictory values of high expectations for material goods in relatively short supply.** Although contemporary China had its roots in poverty, it still has not completely overcome being poor. Compared to other developing countries, China still is rather low in per capita material goods. Goods and materials are in rather short supply.

China's modernization is an overall social change centered around the economy. It provides growth opportunities for even more laborers and transforms the interests of the people. At the same time, some people have a feeling of uneasiness or setbacks about this. Moreover, since further opening to the outside world, the rather high consumption levels and demonstrated effects which the developed countries radiate are again referred to as standards of living by many people. Their desires for material goods grow stronger every day and their hopes greatly exceed what society can possibly provide. The final outcome of the contradiction is either that some people compare the standard of living and living standards of their own country with developed countries, making them dejected, or else they exchange value with power as a means to fulfill their desires. The outcome of the contradiction is slower modernization, with unstable politics plus active corrupt political factors.

**2. The contradiction of political operating mechanisms somewhat unsuited to advanced political systems and political institutions.** In terms of political content, China's modernization creates the highest democratic politics of mankind, in that it is a political system in which the people are masters in their own homes. The

socialist political system overall is a national dictatorship of the people led by the Communist Party. China's national political system is an advanced political system suited to Chinese conditions. China's modernization must face the fact that the political system and political operating mechanisms still are immature in terms of regularity, operability, close-knittedness, and perfection, however. They are unable to be entirely suited to the need for people to be masters of their own homes. This creates a certain contradiction of unsuitability between advancing the political system and the system itself and its operating mechanisms. Specifically, this is seen in that first, the socialist political system determines the central meaning of political development and regularizes political operating mechanisms and operating orbits. In the course of actual operation, errors and transgressions often occur, such as using authority to seek private gain, or encroaching upon the democratic interests of the citizenry. Second, although the socialist political system requires people to be masters in their own home, channels of participation provided by the political system are not open enough. Organizations do not have enough capacity or continuity to carry the weight. Third, there are many levels of social interest and social strata. Political operating mechanisms at times cannot fully and properly accept and lead each interest group and level in the call for ardent participation. Fourth, the socialist political system requires high quality democratic political bodies. In the short term, it is hard for China's people to qualify in terms of quantity or quality.

**3. Specific conflicts of interest based on identical fundamental interests.** The modernization of China is an epoch-making structural change, not a cyclical one. It brings about renewed diversification, unification and allocation of social interests. First is the issue of interest relationships. As modernization progresses, it will break apart the situation of ossified uniform interest relationships. The specific and relatively independent interests of workers, peasants, intellectuals, individual and privately-owned industrial and commercial entities are ever-more clear and legalized. Motive forces behind interests are increasingly external. This undoubtedly increases the occasions of certain frictions and collisions among people. Second is the issue of distribution of interests. In the course of modernization, reform on the one hand breaks through the egalitarian pattern of interest allocation. On the other hand, more time is needed to develop a rational interest allocation mechanism. In the interim, allocation of interests often exceeds the socialist egalitarian principle pattern. For example, the incomes of the latter greatly exceeds that of the former among these groups: mental workers versus physical laborers, mental and physical laborers in publically-owned enterprise units, physical laborers in publically-owned enterprise units and individual laborers versus workers in enterprises that have one of three forms of investment. The different interests which this engenders naturally increases the difficulty of coordinating contradictions among the masses. Political stability and development will be affected if the deserved interests of

mental laborers are not compensated for a long time, and if the overall position of workers and peasants in the public ownership system is not actually respected and acknowledged. They will adversely affect modernization.

Besides the aforementioned contradictions, there are conflicts and contradictions in terms of ideological concepts, moral standards, political psychology and ways of thinking. They all have roles in political stability and development to different degrees and levels, and they affect modernization.

### III.

If we want to obtain both political stability and political development in the process of China's socialist modernization, we must recognize the overall relationship between political stability and political development.

**1. Political stability is a precondition and basis for political development.** Political stability is a concept opposed to political upheaval. It is manifested in the orderly operation of domestic political life. Political stability fundamentally differs from political ossification because the latter essentially is a state of political gridlock. It is the negation of political development. In the process of modernization, political development naturally attacks and shakes up the old political balance. It negates political ossification.

Political development cannot be sought in a background of political upheaval, lest it bring about two results: First, stopping political development half way. Political upheaval will disturb and destroy any orderly political endeavor, trashing the objective goals and sequence of political development. If political development does not deviate from its original goals, it can only temporarily halt the process half way. Second, political development assimilating and motivating political upheaval, making political development lose its original meaning and goals. Therefore, political development can proceed only under the precondition of political stability. First, political stability's main characteristic is that the deepest core of the political system does not change. This is manifested as a stable political system with an unchanging ruling party class. Moreover, it has the overall function or understanding of organizing political power, coordinating social groups, and unifying political power. In China, the four fundamental principles are the fundamental political obstacles to political development. Therefore, it is only through the political development of China that one has a clear path of development, steadfast leadership strength, strong national political power, and unified political awareness. Second, political development requires not only a stable environment and atmosphere, but also progress via political reform. Political development implies creation and perfection of political operating mechanisms, improving the level and degree of the people's participation in politics, and that democratic politics is inseparable from political reform.

Seeking political development through political reform requires political stability as a precondition and basis.

**2. Political development is an inherent requirement of political stability.** Political development is one part of the political content of modernization. Even more importantly, it is an inherent requirement of political stability. First, political stability is a process of realizing trends, a process of accumulation and balance. It is a process of stability moving to a higher level of stability. This process depends on political development to activate it and bestow on it the vitality of new contents. Second, political development includes the three levels of the political system, political institutions, and political operating mechanisms. Given a set social and political situation, reform of the political system and creation and perfection of the political operating mechanisms have to revolve around consolidating the political system. A relatively stable political system is relatively changeable. Political operating mechanisms are even more like this. In this way, political stability naturally seeks reform through political development to attain fundamental consolidation and stability of the political system. Otherwise, political stability is weak and transient. Third, political development can reduce or eliminate unstable political factors. Specifically, political development is nothing more than improving the administrative quality of government, upgrading the level of political institutionalization and democratization, and creating and broadening channels for participation.... The concrete manifestations of each of these are cornerstones of political stability. Highly effective government administration and clear successes can strengthen feelings of political stability. A high degree of political institutionalization, legalization and democratization can resolve complex social and political issues in an orderly and just way, allowing the desires of the people to be expressed easily, enhancing the people's confidence in government and the ruling party, and strengthening the firmament and unity required for political stability.

**3. Political stability and political development support each other in terms of content and goals.** The socialist nature of China's politics determines the complementary nature of political stability and political development in terms of content and goals. Socialist political stability refers to orderly political development; orderly political development implies political stability. Political development is sought in political stability; political development promotes further, more consolidated political stability. Political stability and development are inseparable in the process of modernizing China. If political development is sacrificed for stability, stability will become ossified. Furthermore, modernization will be abnormal and unbalanced, ultimately leading to political or even social instability. If the political development factors which affect political stability are not studied, then naturally unstable factors may spontaneously grow and be more active, meaning suspended political development or difficulties which would endanger the entire course of modernization. Therefore,

in modernizing, we must uphold the unity of political stability and development from start to finish.

#### IV.

In the process of the socialist modernization of China, how do we attain unified and harmonious political stability and political development?

**1. Firmly uphold reform and opening to the outside world, centered around economic construction.** Modernization of China and reform and opening to the outside world are closely connected and inseparable. After China was founded, socialist construction achieved successes which attracted worldwide attention. There still is a large gap between China's economic growth and the desires of the masses, however. This is because from 1958-1976, our leading ideology was not centered around the economy, plus there were continuous political movements which disturbed developments in productivity. There was no reform of the old system which hindered developments in productivity. We missed a great opportunity to develop social productivity. In this period there was no political stability or political development in the true sense of the terms.

Reform and opening to the outside world release accumulated energy of the old system, accompanied by some unstable factors. If reform and opening are suspended because of this, stability cannot pay the price of suspended development because it will kill socialist modernization, however. Full development of modern politics cannot occur without sustained economic growth and economic supports and guarantees. Political ossification may even occur. Only by steadfastly reforming and opening up, getting rid of the corruptions of the old system, and promoting swift economic growth can we on the one hand create the awareness and motive force for political reform and on the other hand establish the material base for political stability and political development. Poverty cannot bring about political stability or political development.

**2. Correctly readjust interest relationships.** At the present time interest relationships are characterized by being multi-tiered and varied. The problem is that an abnormal interest competition mechanism operates at high speed in many areas. It has become an important interest factor affecting political stability and limiting political development. Thus, we must correctly normalize and readjust interest relationships.

Readjusting interest relationships mainly involves coordinating and readjusting relationships and their allocation. First is interest relationships among the masses. Policies must guide them, with fiscal, taxation, credit and interest rates as the chief measures. We must make inter-group interests public and rational by adopting policies to encourage or suppress them. Second is interpersonal interest relationships within groups. With the exception of uniformly equal political interests, the actual economic incomes of leaders who lead and managers who manage must all be publicized, legalized, and

normalized to prevent an overly wide gap of interests or conflicts arising from concealment. Third is double adjustment of interest allocation. Regarding allocation of interests, we must use administrative and market regulatory measures together, then we can reduce conflicts and contradictions between old and new interest allocation mechanisms. We also gradually can rationalize and publicize allocation of interests. This is a safe path to transform old interest mechanisms into new ones, able to make each form of interest mutually promote good relationships and activate the enthusiasm of a majority of society's members. This not only can establish a foundation of interest relationships for political stability and development, but also make them a motive source.

**3. Establish and perfect mechanisms for political participation.** Modernization requires broad political actors to call people to participate in politics. Therefore, in the process of modernization, we should gradually establish and perfect mechanisms for political participation.

First, clear and establish channels for participating in politics. This mainly means ridding obstacles from existing political channels to allow the masses' political desires and aims to be expressed easily, have undistorted political information, prompt feedback, and reduce and avoid shortcuts which threaten political stability that are taken because of impeded political channels. While modernizing, social levels will proliferate quickly and interest groups divide and converge. We must open new channels for participating in politics, and create conditions allowing each interest group to have its own representatives participate in the country's management. We must allow their interests be expressed and realized so that they are in step with political stability and development and jointly promote the modernization of China.

Second, we must institutionalize and normalize political participation. This is an essential requirement of political development embodying levels and standards for political participation. Doing this at the present time mainly means setting up a set of political participation institutions and standards through political development which are suited to conditions in China. One, political participation can rely on institutions and standards by standardizing appropriate ways, means, methods, operating orders, and steps which the people use. Two, to raise the level of rationale for participating in politics, circumstances should be considered for those who violate these standards and norms, or else they should be given guidance or punishment. People should be encouraged and supported to participate in politics within the scope standardized and normalized, to set their ardor for participation on an orderly development path.

**4. Establish mutual promoting mechanisms for political stability and development.** What politics faces in modernizing China is neither a choice between stability or development, nor is it an issue of which comes first and which second. Rather, it must be a dual choice for both. That is to say, we must attain coordinated and united political stability and development through political reform, ensuring the most essential political stability as a precondition for promoting political development, and establish mechanisms to promote them in a synchronized manner.

First, motivate with reform. Reform is a motivating source for modernization. Through further reform, we can quickly realize a transformation of the old system to the new. Because obstacles to political stability and development arise, factors playing roles include imperfections of the new system and an ossified but still functioning old system. In the reform process, we must give full heed to the coordinated effect of political reform on economic reform. On the one hand, we must consolidate the results of economic reform through political reform and provide political guarantees and motives to develop productivity. On the other hand, suited to the needs of modernization, we must continue to improve relations between party organizations and state institutions with various social groups, enhance democratic politics, activate the enthusiasm of the masses, raise the work efficiency of party and government organs, and through political reform continuously perfect and improve the socialist political system and political operating mechanisms.

Second, be centered on democratic politics. Dictatorship politics and political pluralism are closely tied to China's political stability and political development. They have an inexorable relationship to modernization. This author believes: democratic politics are the only way to attain harmonious and unified political stability and development. Democratic politics play the role of a "safety valve" for political stability, ensuring that the energy of social conflicts and contradictions can escape constantly without building, normalizing them within the scope of political stability, unified within the political principle that all power belongs to the people. Actually, considering political development, socialist democratic politics itself is the meaning and an aim of political development. The degree of socialist political development reflects the level of socialist democratic politics. Political development promotes democratic politics, ensuring it of greater vitality and ample color.

In sum, China's socialist modernization can be promoted in a coordinated, stable, sustained manner only through harmonious and unified political stability and political development.

**Ningxia MD Commander on Winter Conscription**  
93CM0086A Yinchuan NINGXIA RIBAO in Chinese  
13 Nov 92 p 2

[Article by Hu Shihao (5770 0013 3185), commander of Ningxia Military District and head of the autonomous region's Conscription Leading Group: "Provide Qualified Military Personnel, Strengthen the Great Wall of Steel"]

[Text] The State Council, the Central Military Commission, the autonomous region government, and the Ningxia Military District have issued a conscription order, and conscription work will soon begin in our autonomous region. With the spirit of the 14th CPC Congress as the motive power, we must conscientiously implement the party's basic line, strengthen national defense as the starting point and end result, and ensure the smooth completion of this winter's conscription work.

**Do conscription work well, and enhance the national defense consciousness of all the people**

The party's 14th national congress, which was held not long ago, further clarified the general task, centered on economic construction, of accelerating the pace of opening up to the outside world and of modernization, and of striving for even greater victories in the cause of building socialism with Chinese special features. From top to bottom in the entire country there is appearing a new situation in which the advantageous moment is being grasped and the development of the economy is being accelerated. Therefore, it can be seen that making a big effort to build the People's Liberation Army into a powerful modernized, regularized revolutionary armed force precisely means to constantly increase the national defense strength in order to provide a powerful guarantee of security for reform and opening up to the outside world and for economic construction. We certainly must, from the height of the new mission that the new situation has bestowed on our army, fully understand the obligation that it bears, and conscientiously do good conscription work. All levels, in this winter's conscription work, must conscientiously study, make special arrangements and deployments, give full play to the role of propaganda departments and mass organizations, and vigorously engage in conscription propaganda and education. On the one hand, we must get a good grip on education on the "Military Service Law" and on the aim, nature, and mission of the people's armed forces, so that the broad masses of conscripted citizens fully understand that performing military service in accordance with the law is an honorable obligation and sacred responsibility bestowed on every citizen, and thus constantly strengthen their concept of the system of performing military service according to law, and of vigorously fulfilling their honorable obligation to defend the motherland. On the other hand, we must focus on the masses, particularly on the different ideological reactions of youths of the right age to be conscripted, and do

detailed, good ideological education work. All levels must educate the great number of cadres and masses, particularly the youths of the right age for military service, to correctly handle the relationships between individual interests and state interests, partial interests and overall interests; to correctly treat the "gains" and "losses" of being conscripted; arouse the patriotic enthusiasm of the masses of youths; and correct their motive for joining the ranks.

**Resolutely implement the conscription policies and ensure the quality of military personnel**

The core of conscription work is ensuring the quality of conscripts. The Central Military Commission's proposal for improving quality takes the path of developing crack troops with Chinese special features; and this imposes a higher demand on conscript quality. Leaders at all levels, military service organizations, and conscription work personnel must make a great effort to ensure the quality of military personnel, and strive to provide to the units qualified military personnel of superior quality. We must, strictly in accordance with the provisions of the conscription policies, ensure the quality of the conscripts' politics, health, and education, and conscientiously achieve the "four stops and one widest possible conscription," viz.: In the political aspect, we must firmly stop dissatisfaction with the party and the socialist system, serious manifestations of bourgeois liberalization thinking, as well as the conscription of young hooligans who rob and who fight and brawl, who have bad ideological character traits, or who have a criminal record. In the health aspect, we must firmly stop the conscription of obviously unqualified youths who have an infectious disease, a chronic disease, or low intelligence. In the age aspect, we must firmly stop the conscription of underage or overage youths. In the education aspect, we must firmly stop the conscription of youths who have only a lower primary school education or who are illiterate. Every locality must conscript in strict accordance with the youth conscription quotas for agricultural and nonagricultural households as ordered by the autonomous region's government and military district; and it must not change the proportions or replace the agricultural household quota with the nonagricultural household quota. Since 1990 the headquarters has made several major changes in the procedures for conscription, and has standardized the "Examination Table for Citizen Conscription," "Instrument of Ratification for Citizen Conscription," and "Notice of Conscription." This year the Conscription Office of the Ministry of National Defense clearly stipulated that the on the "examination conclusion" of the "Examination Table for Citizen Conscription" and the on the "physical examination results and conclusion" column of the "Physical Examination Table for Citizen Conscription" there be respectively affixed a political examination special section and a physical examination special section. Accordingly, all localities must go through strict procedures in putting conscripts into the ranks. In the files of all conscripts approved for entry into the ranks,

the "tables" and "notice" must be complete, and the Conscription Office must send conscripts to the units and the units must receive them.

Military service organizations at all levels must give full play to the role of personnel who receive conscripts, make appropriate arrangements for their food and lodging, and take the initiative to brief them on the situation with respect to the arrangement and deployment for conscription work in order to provide them with conveniences. Personnel who receive conscripts must respect the local government's leadership, and, in line with the military service organization's arrangements, help in doing good work. The two sides—conscription and reception—must, proceeding from the overall situation in enhancing the units' quality and in safeguarding army-government, army-people unity, take the initiative to consult with each other and solve problems together.

#### Strengthen leadership and put an end to all unhealthy tendencies

This winter's conscription work will be carried out under the circumstances of the deepening of reform. Leaders at all levels must pay full attention to it, make scientific arrangements for it, make it an important job, and conscientiously get a tight grip on doing it well. The county (city, district) people's armed forces department is the functional department for conscription work and is on the first line of conscription work. It must fully coordinate with the public security, health, civil administration, and other relevant departments; clarify obligations; and jointly do conscription work well. In recent years all localities have vigorously taken measures, and have conscientiously corrected unhealthy tendencies in conscription work. We must also see that unhealthy tendencies still exist in conscription work, however. There are cases of cottoning up to, opening the back door, taking favors into account, and seeking private gain; there are cases of making false diplomas and making false certificates; and some counties (cities, districts) at will increase the proportion of conscripts in cities and towns. In this winter's conscription work, we must continue to make the correction of unhealthy tendencies an important matter. Basically, we must enhance the conscription personnel's concepts of policy, discipline, and legal system, and raise their consciousness of correcting unhealthy tendencies and of waging a struggle against behavior that violates law and discipline. Conscription offices at all levels must ask comrades of discipline inspection commissions and supervisory departments to take part in the work, setting up report-in boxes and telephone call-in reports, and enhancing discipline supervision and mass supervision. Leaders at all levels must set an example, be strict on themselves, and take the lead in implementing the provisions of the conscription policy. Conscription work personnel at all levels must enhance their concepts of party discipline and of law and discipline uphold principles; handle matters impartially; and, without exception, must not approve for entry into the ranks those who do not

qualify, no matter whose son or daughter they are. Call-ups must be made in strict accordance with the conscription order for the call-up number of youths of nonagricultural households, and this order must not be broken. With regard to those who break the rules and conscript more and receive more than the call-up order prescribes, after being investigated they must be dealt with seriously. With regard to various kinds of illegal activities, military service organizations at all levels must coordinate with the public security and judicial departments in dealing severe blows to them, and educate the broad masses to heighten their vigilance and guard against being duped.

The new situation in deepening reform and expanding the opening up to the outside world imposes new, higher demands on conscription work. We certainly must—with a strong sense of responsibility and a strong sense of mission, under the leadership of the autonomous region's party committee, government, and military district—spare no effort to do this winter's conscription work well, in order to make a new contribution to the strengthening of our army's revolutionization, modernization, and regularization.

#### Beijing PAP Commissar on 14th Party Congress

93CM0032B Beijing RENMIN WUJING BAO  
[PEOPLE'S ARMED POLICE] in Chinese 15 Oct 92  
p 1

[Article by special correspondent Geng Dajian (5105 1129 1696) and Zhao Jianping (6392 0494 1627): "A Historic Distinguished Gathering and a Historic Leap—Interview of 14th National Party Congress Delegate and Beijing People's Armed Police [PAP] Division Political Commissar Zhang Shuai (1728 0013 8842)"]

[Text] Wearing a "14th National Party Congress Delegate identity badge" on his chest, if Beijing PAP Division Commissar seems different than formerly, that is because his face is even more a picture of health making you feel that when something joyous happens to some people, their spirit is bright.

"Yes, our Beijing division has been twice blessed. One blessing is that we are directly responsible for the glorious task of protecting and serving the 14th National Party Congress. Filled with political zeal, the officers and men hold fast to their positions day and night. The second blessing is that I am attending the 14th National Party Congress as a representative of the division's more than 8,000 party members." On the evening of 12 October, Commissar Zhang gave up an opportunity to tour the congress to keep an appointment for a talk with the correspondents. As soon as he saw us, he hurriedly finished what he was saying and said to us: "This morning the congress was solemnly opened. As I listened to General Secretary Jiang's report, I was very encouraged. Originally, I was to express what was on my mind at a discussion meeting of the Beijing delegation of which Comrade Li Peng is a member, but since time did

not permit this because of the large number of delegates, I am able to reveal everything that is on my mind to you correspondents, and I consider it my good fortune.

As the conversation turned to the great significance of the 14th Congress, Commissar Zhang stood up and began to pace as he spoke with fervor and assurance: This congress has been convened at a time when China's reform and opening to the outside world, and its modernization are entering a new stage. Guided by Comrade Deng Xiaoping's theory on building a distinctively Chinese brand of socialism, this congress will conscientiously summarize practical experiences during the 14 years since the Third Plenary Session of the 11th Party Central Committee; it will decide on a strategic plan for a future period of time; and it will mobilize comrades throughout the party and people of all nationalities nationwide for further emancipation of their thinking to seize the favorable opportunity to accelerate the pace of reform and opening to the outside world and modernization. This congress shoulders a heavy historical mission; it provides a transitional link between what has gone before and what comes after, and it is a congress that carries forward the cause and forges ahead into the future."

"So what historical significance do you feel that General Secretary Jiang's report has?" a correspondent asked.

After thinking briefly, Commissar Zhang said: "Not only does General Secretary's Jiang's report scientifically summarize and theoretically capsulize practice in building a distinctively Chinese brand of socialism, but it also expresses extremely clearly the development strategy and the main tasks for the 1990's. It breaks new ground on numerous ideological theories. The one that I

experienced most profoundly was that 'the goal of economic system reform in China is to build a socialist market economy.' This will help greatly in emancipating the thinking of the whole party; it provides an ideological and theoretical basis for further emancipation and development of productivity."

Relating this point to the historical development of the party, Commissar Zhang spoke with all sorts of feelings welling up in his mind: "At the beginning of all major changes, one has to first face a great emancipation of thinking. Without the 'May 4th' Movement, the Communist Party of China would not have been born. Without the Yanan rectification, there would have been no victory in the war of liberation and the war of resistance to Japan. Without discussion of the standard for truth, there would not have been this most glorious 14 years in the building of socialist in China. By the same reasoning, the establishment of the theory of a socialist market economy is bound to bring about a historical leap in the socialist modernization of our country. This is a successful experience that members of the Chinese Communist Party have ardently explored through socialist practice; it is the newest fruit produced by the linking of Marxism-Leninism to China's realities."

Commissar Zhang leaned toward the window and stared off into the distance, looking at the magnificent night sky over Beijing, his heart racing with excitement and his face rippling with emotion: "Now, the direction has been pointed out and the road has been opened. So long as we adhere to the party's basic line as the 14th Party Congress requires, speed up reform and opening to the outside world, and concentrate our energies on economic construction, the great cause of a distinctively Chinese brand of socialism can certainly succeed!"

## NORTHWEST REGION

**Drug Dealers' Appeal Denied, Sentences Given**  
HK2112045192 Xian Shaanxi People's Radio Network  
in Mandarin 0030 GMT 9 Dec 92

[Text] The Shaanxi Higher People's Court recently rejected an appeal in the province's largest ever drug trafficking and peddling case and upheld the sentences at the second trial of the case.

(Zhang Fuqian) and seven criminals were all sentenced to death. Another four received death sentences with reprieve, four life imprisonments, seven set jail terms, and one was exempted from criminal punishment.

(Zhang Fuqian) and most of the 23 other criminals hail from Mizhi County. Nine of them are peasants in the county, and the rest are state cadres or workers, some of whom are workers at county public security bureaus, taxation bureaus, or banks. Eight of them, all county industrial and commercial bureau cadres, are the core members of the criminal ring.

From July 1988 to July 1989, these 24 criminals, more than 20 times, purchased in Yunnan and sold in Guangdong a total of more than 40 kg of heroin, with an aggregate investment of over 1 million yuan. Twelve times (Zhang Fuqian) was involved in trafficking and peddling, responsible for as many as 33 kg in trafficking amount.

This is an extraordinarily big drug trafficking and peddling case in the province for the last 40 years, involving the largest volume of trafficked and peddled drugs, and with the largest number of people involved.

Following Yulin Prefectural Intermediate Court's sentences at the first trial, (Zhang Fuqian) and other defendants lodged an appeal. The Provincial Higher Court recently ruled on the appeal in accordance with the law and upheld the original verdict. Orders to execute (Zhang Fuqian) and other defendants by shooting will be handed down after the criminal ruling has been reviewed by the Supreme People's Court.

**Hong Kong Paper Cited on Beijing's Concern at DPP Gains**

*OW2412085792 Taipei CNA in English 0814 GMT  
24 Dec 92*

[Text] Hong Kong, Dec. 24 (CNA)—Mainland China has decided to adopt a low profile in its reactions toward the outcome of the recent legislative election in Taiwan, the MING BAO daily said Wednesday.

The Hong Kong-based newspaper quoted mainland sources as saying that Peking is worried about the significant gains made by the opposition Democratic Progressive Party (DPP) in Taiwan's first full parliamentary poll in more than four decades.

The DPP, which has advocated independence for Taiwan, captured an unexpectedly large share of the vote in the Dec. 19 election. By gaining 50 seats, the main opposition party will have a louder voice in the new 161-seat legislature.

This has given Peking authorities some concern that the election result might hinder eventual reunification of the two sides of the Taiwan Straits, the paper said.

After a careful assessment, the MING BAO said, Mainland China has decided to keep silent on Taiwan's latest political development because it wants to avoid giving the impression that it opposes democratic reforms in Taiwan or it supports the ruling Kuomintang.

**Poll Shows Groups Oppose 'One China, One Taiwan' Policy**

*OW0112110692 Taipei Voice of Free China in English 0200 GMT 1 Dec 92*

[From the "News" program]

[Text] A majority of social leaders in Taiwan opposed the one China, one Taiwan proposal advocated by some candidates running in the December legislative election. According to a survey released on Sunday, nearly half of them also think that the cabinet under Premier Hao Po-tsun should resign when the new Legislative Yuan convenes next February.

The poll, conducted by the private Taiwan Political Research Center, sent questionnaires to 900 chief executives of civilian groups from around Taiwan. There were 470 valid responses. Survey results showed that 45 percent of those interviewed said Hao's cabinet should resign en masse when the new legislative session opens. Twenty percent said the cabinet should be partially reshuffled, while 30 percent said the cabinet can stay. Only 6 percent of the respondents said they support the one China, one Taiwan proposal, while the overwhelming 91 percent said they either strongly or simply oppose the scheme.

Only 38 out of the 97 incumbent legislators elected in 1989 serve as full-time lawmakers, while the rest work part-time with private business groups.

(Yao Li-min), president of the Parliament Watch Foundation, gave the findings on Sunday. Yao said his foundation made public the background of all incumbent legislators in order to help voters make a more informed choice in the December 19 parliamentary election. Many incumbent legislators are seeking reelection. Only 24 of the 74 ruling KMT lawmakers are considered full-time lawmakers. More than half or 11 of the 18 opposition DPP [Democratic Progressive Party] legislators are thought to be full-time as the foundation cannot find any evidence that they were on the payroll of any private enterprises.

The Parliament Watch Foundation is formed by a group of college professors to promote proper operation of the nation's three-branch parliament.

**Secret Report on PRC's Unification Tactics**

*93CM0018A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 290, 3 Oct 92 pp 26-27*

[Article by Lin Yingch'iu (2651 3853 4428): "National Security Bureau Chief Sung's Speech Almost Freezes Relations Across the Taiwan Straits—Sung Hsin-lien's Secret Report at the National Working Conference on the PRC"]

[Excerpts] While brilliant planning documents or voluminous subject reports running to 10,000 words were prevalent at the two-day "National Working Conference on the PRC," its only unwritten report was a speech given by National Security Bureau Chief Sung Hsin-lien [1345 1800 3425] on the special topic of *An Analysis of the Current State of Affairs in the PRC and the Central Committee's United Front Tactics Toward Taiwan*. [passage omitted]

This report by Sung Hsin-lien lasted roughly 30 minutes. [passage omitted]

Sung Hsin-lien's special report was in four parts entitled *Introduction*, *The Current State of Affairs in the PRC*, *Tactics Toward Taiwan*, and *Conclusion*. [passage omitted]

In the *Tactics Toward Taiwan* section, Sung Hsin-lien spoke as follows: The PRC will be unable to make a goodwill response to us, because its essential policy is "One Country, Two Systems, and Peaceful Reunification," while its specific actions are first to create unification in form, and then to strive for unification in reality. For instance:

—The PRC is exploiting the "One China" principle, in order to achieve "sovereignty unification" with ambiguous negotiating tricks;

—It is exploiting the "Three Exchanges" to achieve "territorial reunification;"

- It is exploiting the "One Country, Two Systems" slogan to achieve "institutional unification;"
- It is exploiting prerequisites for exchange of air and shipping services, such as one national flag and one national name, to "bait" us;
- And it is exploiting terror tactics, by threatening us that it will not hesitate to attack Taiwan with its armed forces; [passage omitted]
- The PRC's tactics toward Taiwan are "external isolation, and internal division." In the area of external isolation, Tang Shubei [0781 2885 0271], vice president of the PRC's Taiwan Straits Association, on a visit to the U.S. in May 1992, took the initiative to establish contacts with Taiwanese "separatists," offering them an opportunity to visit the PRC. As to internal division, aimed at people in authority, primarily Li Teng-hui, as well as second- and third-generation mainlanders in Taiwan, Ms Wan Shaofen [8001 4801 5358], deputy director of the CPC United Front Work Department, said that "we should exploit Taiwan's Legislative Yuan elections at the end of 1992, by supporting the election of the right candidates who can become mouthpieces for the PRC;"
- The PRC is exploiting members of unification coalitions from overseas and within Taiwan to "rope in, break out, infiltrate, and sabotage;"
- It is exploiting Taiwanese investors in mainland China to "lure Taiwanese with other Taiwanese" and "lure the birds to build nests;"
- It is exploiting visits to mainland China by the media and academics, in order to turn them intentionally or unintentionally into PRC mouthpieces;
- It is exploiting visits to relatives in the PRC or tourism by those close to key members of our regime who have retired from official circles, in an attempt to "coerce officials through official ties;"
- And it is exploiting the ties between its "Taiwan Straits Association" and our 21 private intermediate groups, in an attempt to bypass our Taiwan Straits Foundation and achieve its aim of "coercing officials through private ties." [passage omitted]

Sung Hsin-lien's 30-minute report was the most secretive part of the conference, with no live media allowed, and all slide projections being taken back.

#### Photo Captions

1. p. 26: Brilliant and voluminous subject reports running to 10,000 words were prevalent at the two-day "National Working Conference on the PRC."

#### Public's Views on Current Major Issues Surveyed

93CM0020A *Taipei HSIN HSIN WEN /THE JOURNALIST* in Chinese No 289, 26 Sep 92 pp 42-47

[Article by Shen Chao-ming (3088 2507 2494): "Representatives' Negative Image as Profit Seekers, Affect of High Officials' Contention Great; This Publication's Exclusive Questionnaire Surveys Current Major Issues and Three Years of Democratic Trends"]

[Excerpts] [Passage omitted] This publication through annual surveys has tracked and understood trends in the public's attitude toward "Taiwan's current major issues." Since the first survey was conducted in September of the year before last, this is the third year that the questionnaire is being conducted. It is especially significant in that it can show the comparative ups and downs with data from the two previous years and can reveal even more potential situations.

The time period of this survey was from 6 September to 10 September. It was aimed at the whole area of Taiwan and it was routinely distributed based on the estimated proportional population of each special municipality, county, and city, and 1,240 were validly completed.

The first thing discovered in this survey was that, although according to the announcement of the Administrative Yuan Auditing Department, in 1992 the per capita gross national product reached US\$8,815 and it is predicted that this year the GNP will break the US\$10,000 barrier, as much as 57.9 percent of the public does not believe that their lives have changed at all. It appears that there is no way that this public feels that their lives are getting better from what is provided in income and the general prosperity.

From further analysis of changes tracked in the three years, the rate of those affirming that their lives had changed for the better rose precipitously last year to 37.1 percent from 23.3 percent the year before last. This would be regarded as a "green light," but from this survey it was discovered that this year it fell from 37.1 percent to 28.6 percent. With the Executive Yuan promoting the Six-Year Plan For National Construction on a grand scale, the share of the public that believes that their lives are getting better clearly slipped. As far as the Executive Yuan is concerned, this can only be a "red light." [passage omitted]

The Hao cabinet is call the "law and order cabinet." It spares no effort in rectifying law and order and public perception is inclined to approve. In this survey 40 percent of the public thinks that law and order is not a serious problem, and the share with this attitude has improved from 20 percent each year for the last three years. The opposing belief that law and order is a rather serious problem is only 5.7 percent and has tended to go down each year. But in addition to this partial applause, there still is 27.6 percent of the public that is not optimistic about law and order in Taiwan. This indication has reached a rather serious level and also rose from

20.4 percent the year before last to 26 percent last year, and rose again to 27.6 percent this year. This perhaps is related to the constant rise in major blackmail and kidnapping cases and the infection of police discipline by corruption. In addition, this survey discovered that clearly more women interviewed were worried about law and order than men interviewed.

Education develops human resources for society and 50 percent of the public agreed that Taiwan's education is a failure, and 27.6 percent rather agreed. This reaction could be related to the amphetamines that have invaded the country and students' often suffering extortion and violence from other students. Although the Ministry of Education is constantly doing its best to think of ways to improve the testing system and curriculum content and to promote normal class divisions, in guidance and psychological assistance, the schools have by no means made the learning environment better for the students and the age of criminals is going down each year, causing 50 percent of the public to be concerned about Taiwan's education. [passage omitted]

On the cultural issue, although experts and scholars in the culture field indicate that Taiwan presently has a rampant craving for material things and is permeated with money games and [experts] are, at the same time, concerned that Western countries will force their inferior civilization [on us] and we will import Western culture, causing Taiwan to lose its cultural identity, still 52.8 percent of the public has deep faith. They believe that Taiwan has its own culture, and the most prominent of these are the young. In addition, original residents and those with an elementary school education more than others affirm that Taiwan has its own culture. So, there is some discrepancy between the results of the questionnaire and the general views of experts and scholars. Perhaps it is because of clear differences in the cultural understanding of the two!

One of the most controversial topics in recent years has been judicial fairness. Although those who rather disagree that the courts are unfair has climbed gradually in two successive years, showing that judicial reform has begun to take effect, it is alarming that 46.4 percent of the public still believes that the courts are unfair, and those who "somewhat agree" or "agree a little" have increased each year. If we sum up those who agree that judiciary is unfair, the percentage has risen year after year, and this year it is at its highest point. No doubt this is a slap in the face to the Judicial Yuan that is promoting judicial renewal.

The prominent role of representatives in the 18th bidding lobby case has focused attention on representatives. In this survey, as many as 69.1 percent of those interviewed believed that representatives are only seeking their own profits and do not reflect the will of the people. This is a sudden rise from 59 percent the year before last and 63.2 percent last year to the highest point this year, indicating the parliamentarians' overall image. The electorate is very intolerant, especially when the candidates

before the election emphasize that they want to be the people's mouthpiece and when they get into the Legislative Yuan they have lobbies and monopoly projects and nearly 70 percent of the public thinks that they only want to profit themselves. This no doubt indicates that a number of candidates only look upon the position of representatives for personal status or as a tool to seek profits. They think that from this they can enjoy privileges and get involved with illegal bidding on contracts, monopolize contracts, and operate illegal businesses to obtain improper profits. [passage omitted]

The people's representatives do not truly respond to the will of the people. So, are national leaders good leaders or not? Not bad, 60.1 percent of the public have deep faith in the national leaders and do not agree that the nation now lacks good leaders. It is clear that the rumors of discord between the administration and the legislature still have not been enough to shake the people's confidence in the leadership. With cross analysis, sex is a significant factor among those who "rather disagree" that the country lacks good leadership. Men are 8.6 percent higher than women. This perhaps is because the Hao cabinet's style of strong leadership and straightforward daring and determination is supported by men.

But from an overall perspective, in the past three years there has been a slight upward trend in the percentage who think that the country lacks good leadership. The year before last it was 17.9 percent and last year it fell slightly to 17.7 percent, but this year it rose to 19.4 percent. Although it is a very small amount, government and civilians who ought to detect the symptoms are more vigilant.

Although the majority of the public expressed approval of the capability of the national leaders; at the same time, as much as 48 percent of the public believes that "high level politicians are occupied with contending for power and do not give serious consideration to the will of the people." Moreover, a higher percentage of the public has this view than in the two previous years. No doubt, this is a very powerful warning on the leadership mentality of Taiwan's leaders.

When nearly half of the public is dissatisfied, it indicates that while the public affirms the leaders capabilities and integrity, they doubt that the leadership can react positively to the demands of the people and [think that] they make decisions behind closed doors.

In addition, the percentage who "somewhat disagree" that the higher echelon politicians are occupied with contending for power and do not give serious consideration to the will of the people is 5.2 percent higher than last year. This selection is clearly influenced by party affiliation. More members of the Kuomintang interviewed than those belonging to the Democratic Progressive Party or without party affiliation affirmed that the higher echelon politicians reflect the will of the people. [passage omitted]

With further observation, those who "rather agree" that higher echelon politicians are occupied with contending for power rose abruptly from 13 percent last year to 21.1 percent this year. The scope was extremely evident and fully reflects the deep impression left in the minds of the public by Lee and Hao's relations and the contention between main stream and non-main stream legislators in the Legislative Yuan.

As an island nation, Taiwan's development is closely linked with international affairs. Although the interviewees that believed that the general public is concerned about international affairs slipped slowly in comparison with the two previous years, this could be related to the collapse of communism in the Soviet Union and East European countries and the fading of this type of incident [that has been around for] a century. But there still remain 66.4 percent [who are concerned about international affairs] and 32.2 percent of the public who are rather concerned with international affairs. We can get a general idea of this from recent visits to Taiwan and opening of a succession of economic and trade contacts with the European Community, Eastern Europe, and Southeast Asia.

With repeated exchanges from the two sides [of the Taiwan Strait], whether the two sides could have a war in the future or not has always been a topic that attracts people's attention. From the fact that 36.1 percent of the public is afraid that Taiwan could have a war in the future, it would appear that the steadily increasing defense expenditures have by no means completely given the public a corresponding sense of security. Moreover, with United States President Bush agreeing to sell F-16 fighters to Taiwan and the military purchasing units revelling in this great victory, it appears that the public is indicating that their security has not received a great guarantee from this. Certainly, in the results of this survey we cannot overlook that 57.4 percent, nearly 60 percent, of the public by no means fears that Taiwan will have a war in the future. This is closely related to the warming of relations between the two sides [of the strait]. [passage omitted]

With further cross analysis, among those who somewhat fear that Taiwan could have a future war, the younger the person the stronger the feeling and the older the person the less the fear. In addition, 17.5 percent more women interviewed than men indicated that they fear somewhat. [So,] the relationship to sex is extremely obvious.

With reciprocal moves of the two sides [of the strait] becoming more and more frequent and more and more of Taiwan's people going to the mainland to sightsee or to visit relatives, although 34.2 percent of the public believes that the rate of development of relations between the two sides is just right, 18.9 percent of the people think that it is too fast, and women's feelings, especially, are stronger than men's. But what is really worth bringing up is that province or party affiliation does not produce any significant difference.

With cross analysis, as much as 50 percent or more of those who agree that representatives are only seeking their own profit and do not reflect the will of the people also expressed the belief that high level politicians are occupied with contending for power and are not concerned with the will of the people. The correlation is quite strong. As far as they are concerned, perhaps the political arena is a stage for contending for power and profit. So, they have a total lack of trust in representatives and high level politicians.

As to concern whether the rate of developments between Taiwan and the mainland could affect the possibility of a future war in Taiwan, cross analysis reveals that whether people believe that developments between the two sides are fast or slow has no clear affect on the concern over whether Taiwan will have a war or not. This point perhaps is that the fact that the Chinese Communists are still unwilling to clearly indicate that they reject the use of force to invade Taiwan makes Taiwan remain uneasy.

Then might those who somewhat fear that there could be a war consider emigrating? More than 60 percent of these people indicated that they absolutely would not emigrate. But, at the same time, 30 percent of the public would have to consider it. Obviously concern about war still can affect the decision to emigrate. [passage omitted]

Could [the fact that] approximately 50 percent of the people of Taiwan believe that the law and order issue is serious and nearly 50 percent have indicated that high level politicians are occupied with contending for power cause some of the public to think about emigrating? The results show that more and more citizens have indicated that despite the fact that there is the capability and the opportunity everywhere, they absolutely would not emigrate. Moreover, it is as high as 69.6 percent. It is the highest selection of any selection on any topic in this survey. It can be said that in Taiwan's pluralistic society it could be a rather strong commonality. This signifies that more and more people identify with this piece of land. What is especially worth bringing up is that the higher the education and the greater the ability to emigrate, especially for those with a college education or above, the more pronounced [this view]. [passage omitted]

#### Premier Hao Practices Neoauthoritarianism

93CM0018B Taipei HSIN HSIN WEN /THE JOURNALIST/ in Chinese No 292, 16 Oct 92 pp 72-73

[Article by Chi Yen-ling (4764 1693 7117): "A Strange Bird Is Perched on the Roof of the Executive Yuan"]

[Excerpts] [Passage omitted] While the "odd spirit" of neoauthoritarianism disappeared from the scene with the fall of Zhao Ziyang, even half-hearted observers of Taiwanese politics can certainly see quite easily that a strange bird with similar neoauthoritarian tendencies has often been seen recently perched on the roof of the

Executive Yuan "flapping its wings." Its call is loud and clear enough to be heard in every nook and corner of the political arena, particularly in the splendid halls of the Legislative Yuan.

In the last four decades or so, the three authoritarian premiers of Ch'en Ch'eng, Chiang Ching-kuo, and Hao Po-ts'un have emerged in Taiwan. It would have been hard for Ch'en and Chiang not to have become authoritarians under the objective circumstances of martial law, executive dominance, legislative subordinance, and democratic decline.

But the objective conditions of Ch'en and Chiang's time were much different when Hao Po-ts'un became premier, with martial law having been lifted, growing legislative power, and spreading democracy. So it is Taiwan's "democratic wonder" that Hao Po-ts'un has still been able under such changed conditions to maintain "executive dominance" and "personal authority" equal to or even greater in many respects than his two predecessors, Ch'en and Chiang. [passage omitted]

Hao Po-ts'un's authoritarianism extends to regarding the halls of the Legislative Yuan as conference rooms for the Executive Yuan and its legislators as his subordinates, and to scolding legislators with increasing frequency and flippancy, which has become irresponsible to the point of lacking dignity and the force of justness.

Nor has the atmosphere in the halls of the Legislative Yuan changed since the beginning of the current session, with Hao Po-ts'un's every appearance on the dais resulting in an immediate blast of neoauthoritarianism, in which political opponents are criticized and comrades are upbraided, putting the legislators who are scolded roundly by name at Premier Hao's mercy like dry twigs in a storm or wild beasts in a tempest. [passage omitted]

For instance, when asked about the possibility of "One China, One Taiwan," Hao Po-ts'un responds unhesitatingly that "as long as I am standing on this dais, there will never be any room for 'One China, One Taiwan'."

When asked about "One China," Hao Po-ts'un replies that "the 'One China' policy is the law of the KMT," and "if you disagree, you had best not remain a KMT member." He even comments that "history has proved that our initial decision to persist in a 'One China' policy even to the point of resolutely withdrawing from the UN was right."

Hao Po-ts'un's response to a proposal for "Two China's" by one who favors a "divided country" is that "a divided China certainly does not mean two China's." He even replies menacingly to the legislator who makes this proposal that "I expect you to be able to accede to my view, which would be best not only for our country, but for your personal future as well." [passage omitted]

Hao Po-ts'un refutes a suggestion for the "Taiwanization of the KMT" with, "as the Taiwanization of the KMT means turning the Chinese KMT into the Taiwanese

KMT, which then splits with mainland China," "I trust that my 20 million Taiwanese compatriots will not be fooled by this Taiwanization of the KMT, which is really a cover-up for Taiwanese independence."

"One China," "Two China's," "One China, One Taiwan," ...these are all part of a search for an expression of national orientation for Taiwan. In the last two decades or so, any threat of "foreign aggression" has immediately set off a chain reaction at all levels throughout Taiwan, with a hundred schools of thought contending, an endless uproar, and the government and the public forever singing different tunes. Such has become a well-known part of "Taiwan's political landscape," which all have faced up to fearlessly, and which would only be considered strange if one day everyone suddenly stopped talking about Taiwan's national orientation.

As a hundred schools of thought have been contending over the "One China" policy for two or three decades, how could it have suddenly become "the law?" How could such a statement have been made? While "irreconcilable hostility toward the Chinese traitors (the communists)," "using the Tao to exorcise the devils," and "mobilization to put down the (communist) rebellion" all used to be KMT "laws," as time has passed, the devils along with the Tao are thriving and, not only is there no longer irreconcilable hostility toward the Chinese traitors, but the Chinese are taking the initiative to proclaim the end of the mobilization and shake hands with the traitors, which shows that even "laws" change.

The value of democracy is essentially its "latitude for possibility." With possibility, there is nothing that can or will not change, and with latitude, there is nothing that cannot be included or accepted. While Hao Po-ts'un quite readily speaks for others, if he still has any pretense of democracy, he must understand that his "laws" are absolutely not democracy. In particular, his "political laws" cannot be laid down in areas, such as general affairs that are under discussion by the public, national defence, diplomacy, or even national consensus, all of which require "latitude for possibility." Yesterday's heresies become today's truths, precedents for which are provided throughout history, ancient and modern, Chinese and foreign. [passage omitted]

Actions in our legislative halls, such as bitterly denouncing comrades who "will not obey" or "are stupid," treating the legislature like a party cell, even to the point of threatening legislators' political futures, and bragging that "as long as I am standing on this dais, there will never be any room for 'One China, One Taiwan,'" leave us stunned and terrified. That the premier of a dignified democratic country can actually act in such a feudal manner of centuries past, absolutely cannot be explained away on grounds, such as "blunt speech," "carelessness by the speaker," or even less so the possibility that the listeners read more into the speaker's words than was there, the consequences of which must not be underestimated.

As to Hao Po-ts'un's actions in the legislature, his supporters regard them as "necessary scoldings," a "show of guts," and "the only way to act like a government official," while his detractors see them as "dictatorial," "monarchical," and "the words of a soldier." But objectively, an inescapable fact is that after two years or more as premier, the more Hao Po-ts'un becomes familiar with government affairs, the more conceited, bolder, and brasher he becomes. Meanwhile, his supporters become more supportive, and his detractors grow more critical, mocking his speech patterns with "as long as a certain Hao remains on the dais," and his persistence in "refusing to ever change," so that such polarization is not likely to end soon. [passage omitted]

### Economist Cautions Government on Bonds, 6-Year Plan

93CE0120A Taipei CHING-CHI JIH-PAO in Chinese  
1 Nov 92 p 2

[Article by Li Shun-Te (2621 7311 1795): "Clear Limits Should Be Set on the Issuance of Bonds During the Six-Year Plan for National Construction: Yu Tzung-hsien," "Taking Lessons From the Bitter Fruits of Predecessors' Using Debt To Pay Debt, It Is Appropriate To Seek Substitutes for Such Major Projects as the High Speed Railroad To Economize on Expenditures"]

[Text] Chinese Economic Research Institute president Yu Tzung-hsien has pointed out that the government should set clear limits on the amount of bonds issued during the Six-Year National Construction period to avoid worsening government finances. At the same time, he again evaluated substitutes for such major projects as the high speed railroad to save huge expenditures.

Yu Tzung-hsien has all along held a cautious attitude toward issuing bonds. He believes that the mess left by constantly raising bond issues to meet government expenses must be borne by later generations and that constantly "using debts to pay debts" will result in loss of control of government finances and the government should deal with it cautiously.

Yu Tzung-hsien, who recently attracted attention in the political arena by leading more than 800 scholars in petitioning for a true value tax levy because of the controversy over the property added value tax, when he met reporters, still kept this advocacy in mind. He believes that when the central government has difficulty arranging the 1994 general budget, the Ministry of Finance should insist on using true value in levying property added value taxes.

Below are some of the important points from the interview:

[Question] What is your approach to the government's issuing bonds?

[Answer] I propose that the government should be cautious in issuing bonds and it should by no means use debt

to pay debt. In the past, routine government financial expenditures often had an annually accumulated surplus that could offset inadequacies in revenue for routine bills. Now the government is promoting the Six-Year Plan for National Construction and it is even more difficult to balance routine revenue and expenditure and they can only issue bonds.

But routine expenditures must be used to make up the interest on the bonds issued. And with tax revenues used to pay back interest and tax revenue rates constantly going up, where will the money for bond interest come from? We cannot take the old American road and make the issuing of bonds a burden on society.

[Question] Faced with difficulty in arranging the 1994 central government general budget, the Accounting Office plans to relax the upper limits on bond issues to deal with it and the Ministry of Finance maintains a cautious, reserved attitude. Which side's thinking do you support?

[Answer] It is very hard to say which side I support. The Ministry of Finance is responsible for government tax revenues and by nature is rather conservative. The Accounting Office is concerned that revenue and expenditures will not balance and hopes that relaxing the upper limits on bond issues can resolve it. Essentially, increased expenditures are needed to promote the Six-Year Plan for National Construction, so limits on bond issues are relaxed. But after the Six-Year Plan for National Construction is completed, we must restore the original limits to avoid creating an expanded budget deficit.

Once the scope of the government budget is expanded, it is very easy for it to become a tradition and be extended. This can cause a lot of trouble for the government. The United States Government's excessively large budget deficit is a classic example. Now they are tasting the bitter fruit.

[Question] The most difficult year for the government to organize a budget is 1994 and it is mainly financial difficulty. How do you think that the government should strive to extricate itself from the difficulty?

[Answer] Major projects in the Six-Year Plan for National Construction should be meticulously reappraised. Past appraisals were by no means meticulous. With trends in economic development, substitutes can be sought for a great many major projects. If as a result of meticulous evaluation there is no need to start them, huge expenditures can be saved. For example, the government still has by no means sought other substitute plans for the south-north high speed railroad.

[Question] Construction of the high-speed railroad already is government formulated policy. Do you think that there are other substitute plans?

[Answer] There are a number of different opinions both in the Legislative Yuan and in academia on construction of the high-speed railroad. The government should not overlook these opinions.

As a substitute plan, for example, the land in the safety island of the Chungshan High-Speed Highway could be used to construct high scaffolds for double fast lanes specially for small cars and cross lanes could be reduced to increase vehicle speed.

In another respect, the government could use the land on the two sides of the present Taiwan Railroad to construct a high-speed railroad and reduce station stops to increase vehicle speed. These substitute plans not only could reduce the problem of obtaining land, they also could save huge expenditures for construction of the high-speed railroad. Although at its present scale the high-speed railroad is only slightly over 400 billion yuan, in the future when it is completed, it will be at least more than 800 billion yuan.

[Question] How do you think that the Ministry of Finance should strive to levy tax revenue?

[Answer] I still think that the government should give serious thought to land added value taxes and cannot, because it is convenient, reject the proposal to levy taxes on actual trade value.

I believe that now is the best time to establish the foundation. The current assessed value really is unreasonable. Take Tokyo for example, current property values have suddenly dropped by one-half. If we follow Taiwan's tax levy method, with the current assessed value unchanged, what was formerly 1 million yuan per *ping* now is 500,000 yuan per *ping*, but in buying land we still must pay the 1 million yuan current assessed value.

In levying a true trade value tax, we need only establish general land ownership and adjust the tax rates and relax them for small houses in comparison with large standard houses. It would not be at all difficult to implement. I do not know why the government is so reluctant.

**Hong Kong Businessmen Want Stable Investment Environment**

OW0512075992 Beijing XINHUA Domestic Service  
in Chinese 0240 GMT 5 Dec 92

[Text] Hong Kong, 5 December (XINHUA)—The so-called “political reform proposal” put forward by [Hong Kong Governor] Chris Patten has caused an uproar in Hong Kong. People from local business circles and foreign firms in Hong Kong recently underscored the importance of the convergence of Hong Kong’s political system and the basic law during the latter part of its transitional period, and they made known their hope that there would be a stable investment environment in Hong Kong.

Huang Jian, president of the Hong Kong Union of Factory Owners, stated: The situation in Hong Kong used to be very stable, but Patten’s political proposal and the new airport issue have upset this situation. Patten’s proposal has violated the accord reached by China and Britain, violated the right of China’s National People’s Congress to interpret the basic law, and undermined Hong Kong’s peaceful transition. The Hong Kong Union of Factory Owners will never support Patten’s acts. Patten should put off his “political reform proposal” and consult with China with wholehearted sincerity. Huang maintained that if the British authorities in Hong Kong insist on going their own way regarding the political system and if China makes a fresh start after recovering its sovereignty over Hong Kong in 1997, they will not create a big shock in Hong Kong because Hong Kong’s long-range development is closely linked with inland China and people in Hong Kong have become more confident concerning Hong Kong’s reversion to China.

Li Zuoxiong, a prominent figure in Hong Kong’s securities circles, said: Hong Kong’s success rests with its political stability, and this is why foreign capital keeps flowing into Hong Kong. The basic law has provided clear-cut policies and both China and the British authorities must abide by this blueprint.

Xu Zhaozhong, executive vice president of the Hong Kong Haiyu Banking Group, said: An investment climate cannot be considered as ideal without political stability and economic growth. The disturbing situation appearing in Hong Kong as result of political factors may affect the investment pattern as a whole. He said: After the signing of the Sino-British joint declaration and before Patten introduced his “proposal for political reform,” the latter part of the transitional period in Hong Kong was full of harmony and cordiality, and the broader implementation of the reform and open policy in China has greatly increased the confidence of the people of Hong Kong. Under such a gratifying situation, we really do not want to see investors lose their confidence again.

Some foreign firms in Hong Kong have also expressed worries over Hong Kong’s current situation. Zhang Zhenzhong, president of the American Chamber of

Commerce in Hong Kong, said Patten should not use foreign political strength to support the “political reform proposal.” He said: Hong Kong’s success lies in those economic achievements, which it is proud of, and not in its democratic development. People in Hong Kong are more concerned with better life than political development. Democratization should be gradually achieved in a stable society.

Liang Jinsong, president of the Hong Kong Branch of U.S. Citibank [wan guo bao tong yin hang 8001 0948 1405 6639 6892 5887], indicated that it is absolutely necessary to maintain Hong Kong’s political stability and economic prosperity during the next four and a half years—the latter half of the transitional period. He said: Rule by law is the key ingredient to Hong Kong’s success, and the Sino-British joint declaration and the basic law are two legal documents. Legal documents must be respected, and how can there be a spirit of rule by law if legal documents are not respected? During the latter part of the transitional period, it is even more important to maintain Hong Kong’s political stability and the foundation of its economic prosperity. Only by doing this can Hong Kong ensure its economic stability, reduce the brain drain, and attract more investment. Thus, Hong Kong’s political and economic development during the next four and a half years must be combined with the basic law. Hong Kong’s prosperity and stability during the latter part of the transitional period are preconditions for any political proposal.

Li Guipei, vice president of the Bank of America [mei guo yin hang 5019 0948 6892 5887], pointed out that Patten’s political proposal has violated the Sino-British joint declaration. He said: If Patten insists on enforcing his proposal, then there will be upheavals today or in 1997 when Hong Kong is handed over to China, and Hong Kong’s economy is certain to be buffeted. Mai Weida, executive chairman of the British Chamber of Commerce in Hong Kong; and Qiu Surao, vice president of the Hong Kong Branch of the Credit Bank of Italy, also share similar views.

**Cooperative Resources Center Pronounced Politically Dead**

93CM0021A Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 70, 18 Oct 92 pp 62-63

[Article by Huang Kuo-hua (7806 0948 5478), Hong Kong senior political reporter: “Cooperative Resources Center Given Political Death Sentence”]

[Excerpts] [Passage omitted] The many promises in the administrative report must await the approval of the Legislative Council before they can be kept, and they include making clean and tidy the laboratories of the outpatient departments of public hospitals, etc. With regard to the changes in the political system in 1995, there will be procedural arrangements made with the

Chinese side. Although the Chinese side has few bargaining chips, we must wait a while before we can know if the provinces will be kept.

**There was only one item that did not need the Legislative Council's approval, and also did not need the Chinese side's approval, and could be done without discussion. Several hours before the Executive Bureau and the Legislative Bureau broke up and the administrative report was read out, it went into effect.**

On the morning of 7 October, at Government House Governor Patten received one by one seven "stir-fried squid" members of the Executive Council. Among them were four members of the Cooperative Resources Center (CRC). He informed them that as of that time the two councils no longer existed.

Fen Hsu Li-t'ai [4636 1776 7787 3141], one of those who had been "stir-fried," became excited and said to Patten "I also stir-fry you" and handed over his letter of resignation from the Legislative Council, effective immediately. I was unable to find out whether, in line with employment regulations, there was attached a notification of one month's salary due.

Thus, the CRC lost a senior general.

In the afternoon another member, Mai Lieh Fei-fei [7796 0441 5481 5481], handed a slip of paper to Li P'eng-fei [2621 7720 7378], the CRC convener, announcing her resignation. Another general was lost. [passage omitted]

The reason that Mai Lieh Fei-fei left the CRC was that she was immediately no longer part of the Legislative Council. According to CRC regulations, its members must also be members of the Legislative Council, so she automatically had to leave its ranks. Formerly Professor Mai had the opportunity to take a higher post. She had been invited by the Hong Kong governor to be a member of the Executive Council; she attended few of its sessions but still drew her salary.

At this moment Li P'eng-fei's complacency a month ago about the superiority of "the Executive Council has the people, the Legislative Council has the votes" completely vanished. This smacked of the feeling of one who falls from a cloud top into a swamp.

When the Hong Kong governor at one stroke separated the two councils, the CRC's "people in the Executive Council" immediately became people who could never be in the Executive Council. Because of the action by the Hong Kong governor with the flick of his sleeve, separately, and either directly or indirectly, the two members caused the number of CRC people to fall to 17, equal to the additive converging point number of United Democrats of Hong Kong people. The first major voting constituency would never be seen again.

An even heavier blow was that it became difficult to say whether there were any allies in the Executive Council and the Legislative Council. The 7th of October was really the loneliest day for the CRC politicians.

When Mai Lieh Fei-fei abandoned the Legislative Council and joined the Executive Council, some people worried that she might become the eyes and ears of the CRC and support her old friends. It looks as if this was not the case. She did not consult with Li P'eng-fei beforehand, and in the end she said goodbye on a paper she had written on. [passage omitted]

After Teng Lien-ju [6772 5571 1172], the "chief nurse" of the CRC, represented the resignation of all ex-officio members, she unexpectedly became one of the small number of people who retained their membership, showing once more the inconstancy of human relationships.

When Teng Lien-ju was beginning the resignation activities, originally it was a case of various advances and retreats by the CRC, and it was as if she were holding a flashlight to illuminate the path on which the others set off, but as for what changes occurred after that, probably except for herself and the Hong Kong governor, the situation with respect to several persons is unclear. A high official of Government House said privately that if Big Sister Teng does not apologize to the people in the CRC, at least she should give her old friends an explanation!

Teng Lien-ju, who is over 50 years old, after lasting through three Hong Kong governors, still cannot withdraw and return home, and it is unnecessary for outsiders to mention what difficulties there would be if she were to do so. In the final analysis, the peers in Britain's House of Lords and Thatcher's husband are British, and, when necessary, they will, in the end, make little effort for the British Empire.

In the twinkling of an eye, the CRC had been left with no people and no friends in the Executive Council; in the Legislative Council, the trend is far from good for the CRC, and the loss of two persons is only the beginning. [passage omitted]

At the beginning the CRC had only 21 persons—less than half the total number—in the 60-person Legislative Council; but in every dispute they always provided the voting edge until the final battle, in which the Government House did not like the "many seats on a single ballot", and they were defeated. Being less than half the number of votes yet being able to be victorious time and again proves that in the council, besides the CRC members, there are many friends of the CRC.

Now the number of members has been cut—21 has become 17—so what will the situation be in the future? How many meetings can P'an Kuo-lien [3382 0948 3425] ask to withdraw from? After several sessions will Liang Chin-hao [2733 6930 3445] have no alternative but to leave the ranks? Do Chang Chien-ch'uan [1728 7002 3123], Liu Huang-fa [0491 4106 4099], and Huang K'uang-yuan [7806 056d2 3293] have "pent-up" feelings? If things are done poorly, what Li P'eng-fei will see could only be half the former powerful lineup.

With the exception of the CRC members themselves, in the council it is doubtful that many people will be their allies at voting time. The plight of "one sinking and a hundred tramplings" has not yet arrived. It is hard to avoid being humble at first and proud afterward, but in the final analysis the CRC is no longer the favorite of the current Hong Kong governor.

Its path in 1995 will be even more thorny, and it will begin to be in difficulties then.

**In 1995 there will no longer be appointed seats; in other words, the nine current members will not have the opportunity to be reappointed.**

As for the difference in functional constituencies, because organization voting has been abolished, the four seats—**Federation of Hong Kong Industries, Manufacturers Association, Real Estate Association, and Tourism Association**—held by the CRC are bound to face a challenge under completely new circumstances. After local legislative assemblies abolished appointments, in the political situation the gain of one seat became a major variable; there could come a time when the democratic factions would be in a slight majority in the regional political situation, and the Legislative Council seats provided by this situation would be in their bag. [passage omitted]

When the time comes, what will be left of the CRC?

If the CRC wants to survive, its only option is to move toward the masses, and at all levels of direct election determine with the democratic factions the relative superiority. But, as a political combination that for a long time has depended on appointments made by higher levels, moving toward the masses is easier said than done.

The direct cause of its falling into today's plight is that the proprietors have changed, and the new proprietors are estranged from the old ones. Thinking at a deeper level, are the estranged themselves at fault?

Everybody knows that the fault lies in the fact that, after being received by CPC General Secretary Jiang Zemin in June, they became dizzy with success, and suddenly became more pro-Chinese and anti-British than the traditional pro-Chinese factions.

Although the proprietors have taken inventory and settled accounts, from first to last they remain proprietors, so how can one allow a "disloyal minister who has not yet rolled up his bedroll" to remain?

If the CRC cannot pass the barrier of 1995, after 1997 it will be even more powerless. Although for a time it was more pro-Chinese than the pro-Chinese factions, it is not likely that it will receive kind and generous treatment from the Chinese communists. A Chinese communist official pointed out privately that the CRC's capital is to be pro-Chinese, but what capital is there in throwing the British away so quickly? What value is there in doing so?

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